ABN·AMRO

IR / Press Release

Amsterdam, 1 March 2013

ABN AMRO reports full-year 2012 underlying net profit of EUR 1,285 million and EUR 84 million for Q4 2012

- **Underlying net profit, excluding separation and integration-related expenses, was EUR 1,285 million in 2012, compared with EUR 960 million in 2011**
- **Impairments were lower as 2012 included a EUR 125 million pre-tax release of Greek impairments compared with a EUR 880 million pre-tax charge in 2011. Excluding the Greek exposures, impairments were significantly higher compared to 2011**
- **The underlying cost/income ratio improved to 61%, down from 64% in 2011**
- **Underlying net profit for Q4 2012 decreased to EUR 84 million (from EUR 374 million for Q3 2012) as impairment charges more than doubled and the Dutch bank tax (EUR 112 million) was charged**
- **Reported net profit increased to EUR 948 million for 2012. The reported net loss in Q4 was EUR 97 million and was due mainly to integration costs**
- **The core Tier 1 ratio improved to 12.1%, Tier 1 ratio to 12.9% and total capital ratio to 18.4%**
- **The proposed dividend to the ordinary shareholder is EUR 250 million**
- **All integration activities were completed in 2012**

Gerrit Zalm, Chairman of ABN AMRO Group, comments:
"2012 was an important year, as it marked the finalisation of the integration. Four years ago we developed plans for the integration of ABN AMRO and Fortis Bank Nederland. I am pleased to say that we have completed this complex operation with relatively little inconvenience to our clients, on schedule and on budget and that this has yielded the efficiency improvements envisioned at the outset.

In the meantime, we have been conducting our ordinary business in not-so-ordinary times. The economic environment continued to be challenging in 2012. Despite these circumstances, the bank delivered satisfactory results for full-year 2012. The underlying operating result remained almost unchanged and the underlying cost/income ratio improved to 61%, due in part to cost control and integration benefits, partially offset by the Dutch bank tax. The underlying net profit increased by 34% to EUR 1,285 million and the return on equity was 10%. Excluding several large items and divestments in 2012 and 2011, underlying net profit would have been 34% lower driven mainly by higher loan impairments. The return on equity would have been 8%. The bank further strengthened its capital position, resulting in a core Tier 1 ratio of 12.1% and a total capital ratio of 18.4%.

Following the integration we have emerged as a solid bank with many of our key capabilities strengthened. With our sights set on the future, we have extended our horizon to 2017 and have made clear choices for our local and international operations. The refined elements of our strategy can be categorised into five strategic priorities: enhance client centricity, invest in our future (IT, staff and sustainability), strongly commit to a moderate risk profile, pursue selective international growth and improve profitability. We have incorporated these into three targets for 2017: a cost/income ratio of 56-60%; a Common Equity Tier 1 (under Basel III) ratio comfortably above the regulatory minimum, increasing it gradually to a range of 11.5-12.5%; and a return on equity of 9-12%. Despite the challenges that lie ahead and the modest economic outlook, we are optimistic. Considering all we have achieved so far, and given the dedication, professionalism and perseverance of our staff, we are confident that we have what it takes to succeed."

Income statement

ABN AMRO Group's reported net profit for full-year 2012 amounted to EUR 948 million and included separation and integration-related costs of EUR 337 million net of tax. These integration related costs include costs related to the merger[1] of the two Dutch pension funds (EUR 162 million, EUR 122 million net of tax). The underlying net profit, which excludes these costs, was EUR 1,285 million.

The analysis presented in this press release is based on underlying results, unless otherwise stated. For an overview of the reported consolidated income statement, please refer to Annex 1. For an overview of the separation and integration-related costs, and a reconciliation of the reported and underlying results, please refer to Annex 2.

Full-year 2012 compared with full-year 2011

Underlying results			
(in millions)	*2012*	*2011*	*Change*
Net interest income	*5,028*	*4,998*	*1%*
Net fee and commission income	*1,556*	*1,811*	*-14%*
Other non-interest income	*754*	*985*	*-23%*
Operating income	7,338	7,794	-6%
Personnel expenses	*2,246*	*2,538*	*-12%*
Other expenses	*2,263*	*2,457*	*-8%*
Operating expenses	4,509	4,995	-10%
Operating result	**2,829**	**2,799**	**1%**
Impairment charges on loans and other receivables	1,228	1,757	-30%
Operating profit before taxes	**1,601**	**1,042**	**54%**
Income tax expenses	316	82	
Profit for the period	**1,285**	**960**	**34%**

Other indicators			
	2012	*2011*	
Underlying cost/income ratio	61%	64%	
Return on average Equity	10.0%	7.8%	
Return on average RWA (in bps)	103	85	
NII/average total assets (in bps)	120	125	
Cost of risk (in bps)	98	156	
	31 December 2012	*31 December 2011*	*Change*
RWA/Total assets	31%	29%	5%
Assets under Management (in billions)	163.1	146.6	11%
FTEs	23,059	24,225	-5%

1 The merger implies the transfer of all accrued rights of Pensioenfonds Fortis Bank Nederland to ABN AMRO Pensioenfonds.

The increase in underlying net profit compared with 2011 was mainly the result of lower impairment charges on loans and other receivables[2] and releases from the Credit Umbrella[3] and other EC Remedy-related provisions, partially offset by a reassessment of tax positions related to prior years. In addition, the results in both 2012 and 2011 were impacted by several other large items and divestments. Excluding divestments and large items underlying net profit would have been 34% lower than 2011 due mainly to a sharp increase in loan impairments. Further details on the large items and divestments are included in Annex 4.

- **Operating income** decreased by 6% to EUR 7,338 million. Excluding divestments, it declined by 2%.

  Net interest income increased by 1% as higher NII in Commercial & Merchant Banking (C&MB) was partly offset by lower NII in Retail & Private Banking (R&PB). The rise in NII was driven mainly by improved margins on new mortgage production and other loans and higher NII in Merchant Banking (mainly Markets and ECT). Lower margins on savings and higher funding costs partly neutralised this rise. Divestments had a marginal negative impact on net interest income.

  Net fee and commission income decreased by 14%. Excluding divestments, the decline in net fee and commission income would have been 8%. Transaction volumes (Retail and Private Banking clients in particular conducted fewer transactions) were lower due to market uncertainty. The decrease was further caused by a reclassification of costs for international payment services to fee expenses in 2012, and 2011 included several positive large items.

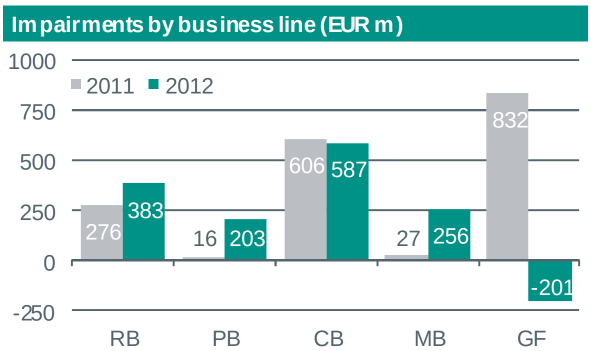
  Other non-interest income was 23% lower compared with 2011. Excluding divestments, the decline in other non-interest income would have been 13%. The decrease was due mainly to a combination of a reclassification of leasing costs to other non-interest income in 2012, lower private equity results and the negative impact of hedge accounting ineffectiveness. Releases from the Credit Umbrella and other EC Remedy-related provisions in 2012 (EUR 215 million) partially offset this decline.

  Eighty-two per cent of total operating income was generated in the Netherlands, 12% in the rest of Europe and 6% in the rest of the world.

- **Operating expenses** decreased by 10% or EUR 486 million. Excluding the impact of divestments, operating expenses declined by 6%. Excluding the EUR 181 million restructuring charge taken in 2011 and the Dutch bank tax (EUR 112 million) in 2012, operating expenses would have come down by 4%. This decrease was the result of additional cost synergies resulting from the integration, and reclassifications of leasing costs and costs for international payment services (EUR 118 million) to operating income. These were partially offset by wage inflation.

- There was a modest increase in **operating result** to EUR 2,829 million. Excluding divestments and large items, the operating result would have decreased by 2%. The **cost/income ratio** improved by 3 percentage points to 61%, well within the target range of 60-65% set for 2012.

- **Impairment charges on loans and other receivables** decreased by EUR 529 million to EUR 1,228 million in 2012. The 2011 results include EUR 880 million of impairment charges for Greek government-guaranteed corporate exposures, whereas the 2012 results contain a release of EUR 125 million following the sale of part of the exposures. Excluding these, a sharp increase (54%) would have been recorded as the economic downturn led to higher impairment charges, especially in (commercial) real estate, construction, and diamond financing (reported in Private Banking) as well as in the mortgage portfolio. Impairment charges on mortgages increased from 10bps to 16bps (over the total mortgage book). The increase in impairments can also be partially explained by significant recoveries and releases in Merchant Banking in 2011 which did not recur in 2012.



2 The 2011 results include EUR 660 million net of tax (gross EUR 880 million) impairment charges for Greek government-guaranteed corporate exposures, whereas the results of 2012 contain a release of EUR 94 million net of tax (gross EUR 125 million).

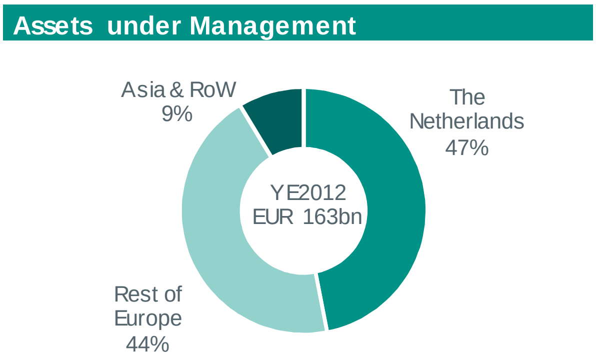
3 Financial guarantee covering part of the potential credit losses on a portfolio that existed at the time of closing the sale under the EC Remedy (EUR 210 million net of tax in 2012). This financial guarantee was cancelled at the end of 2012 as a result of a settlement agreement signed with Deutsche Bank AG in December 2012.

Total impairment charges over average RWA ('cost of risk') went down to 98bps in 2012 (from 156bps in 2011). Excluding the impairments on the Greek government-guaranteed corporate exposures, these figures would have been 108bps in 2012 and 78bps in 2011.

- The underlying effective **tax rate** increased to 20% in 2012 from 8% in 2011. The effective tax rate went up primarily as a result of a higher amount of tax-exempt income in 2011 and a reassessment of the tax positions related to prior years.

- The number of full-time equivalents excluding temporary staff (**FTEs**) fell by 5% to 23,059 compared with year-end 2011, largely resulting from progress made on the integration and the impact of divestments, partly offset by a rise in the number of FTEs as a result of a small acquisition in 2012.

- Assets under Management (**AuM**) of Private Banking grew by EUR 16.5 billion to EUR 163.1 billion in 2012. Approximately 80% of the increase relates to market performance, with the remainder attributable to an increase in net new assets.



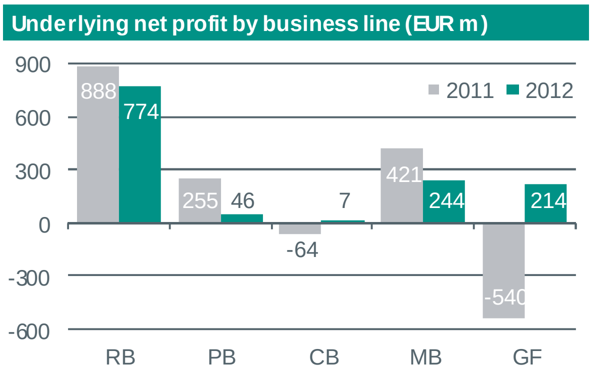
- A final **dividend** of EUR 250 million to the ordinary shareholder is proposed.

Results by segments

Further detailed segment reporting is given in Annex 3.

Retail Banking posted underlying net profit of EUR 774 million, down from EUR 888 million in 2011, mainly caused by margin pressure on savings products and only partially offset by improved margins on mortgage and consumer loans. Impairment charges on the mortgage book were higher.

Private Banking posted an underlying net profit of EUR 46 million, down from EUR 255 million in 2011. The decline was driven mainly by high impairment charges (EUR 187 million increase year-on-year, largely resulting from high impairments in International Diamond & Jewelry Group (ID&JG)) and a solid book gain on of the sale of Swiss Private Banking activities in 2011.



Commercial Banking realised an underlying net profit of EUR 7 million, compared with an underlying net loss of EUR 64 million in 2011. The decrease in operating income as a consequence of divestments and a reclassification of lease costs, was more than neutralised by lower operating expenses. The level of impairment charges was slightly lower, but remained elevated, especially for SMEs.

Merchant Banking posted an underlying net profit of EUR 244 million, down from EUR 421 million in 2011. The decrease was driven by a sharp increase in impairment charges as 2011 included several recoveries and releases.

Group Functions realised an underlying net profit of EUR 214 million compared with an underlying net loss of EUR 540 million in 2011. The results of 2012 include an impairment release of EUR 94 million net of tax for Greek government-guaranteed corporate exposures, higher rebilling of costs to the businesses and several releases from the Credit Umbrella and other EC Remedy-related provisions. The loss in 2011 resulted from loan impairments on the Greek government-guaranteed corporate exposures and a restructuring provision.

Fourth quarter 2012 compared with third quarter 2012

The net reported result amounted to a loss of EUR 97 million in the fourth quarter. Separation and integration-related costs of EUR 181 million net of tax were largely driven by the merger of the two Dutch pension funds (EUR 162 million, EUR 122 million net of tax), which implies the transfer of all accrued rights of Pensioenfonds Fortis Bank Nederland to ABN AMRO Pensioenfonds. The underlying net profit, which excludes integration-related costs, was EUR 84 million.

Underlying results

(in millions)	*Q4 2012*	*Q3 2012*	*Change*
Net interest income	*1,255*	*1,258*	*0%*
Net fee and commission income	*382*	*386*	*-1%*
Other non-interest income	*77*	*167*	*-54%*
Operating income	1,714	1,811	-5%
Personnel expenses	*522*	*570*	*-8%*
Other expenses	*669*	*501*	*34%*
Operating expenses	1,191	1,071	11%
Operating result	**523**	**740**	**-29%**
Impairment charges on loans and other receivables	466	208	124%
Operating profit before taxes	**57**	**532**	**-89%**
Income tax expenses	- 27	158	
Profit for the period	**84**	**374**	**-78%**

Other indicators

	Q4 2012	*Q3 2012*	
Underlying cost/income ratio	69%	59%	
Return on average Equity	2.4%	10.9%	
Return on average RWA (in bps)	26	118	
NII/average Total assets (in bps)	119	117	
Cost of risk (in bps)	146	65	
	31 December 2012	***30 September 2012***	***Change***
RWA/Total assets	31%	30%	3%
Assets under Management (in billions)	163.1	159.9	2%
Risk-weighted assets (in billions)	121.5	130.1	-7%
FTEs	23,059	23,429	-2%

Underlying net profit in the fourth quarter of 2012 declined by EUR 290 million from EUR 374 million in the third quarter, primarily driven by significantly higher impairment charges and the new Dutch bank tax. Both quarters included releases from the Credit Umbrella and other EC Remedy-related provisions (EUR 63 million net of tax in Q4 2012 versus EUR 18 million net of tax in Q3 2012).

- **Operating income** decreased by 5% compared with Q3 2012 to EUR 1,714 million.

  Net interest income remained almost flat. Higher business revenues were offset by increased liquidity and capital costs. **Net fee and commission income** decreased by 1%, primarily as a result of somewhat lower transaction volumes. **Other non-interest income** declined by 54% or EUR 90 million, mainly because of the negative impact resulting from hedge accounting ineffectiveness and lower market valuations of part of the trading portfolio in the fourth quarter. This was partly offset by higher releases from the Credit Umbrella and other EC Remedy-related provisions and higher results from participating interests.

- **Operating expenses** grew by 11%. The increase was driven mainly by the introduction of the Dutch bank tax of EUR 112 million[4] in 2012 and accelerated depreciations at Group Functions. Excluding the Dutch bank tax, operating expenses would have been almost flat.

- The **cost/income** ratio was 69% compared with 59% in Q3 2012. Excluding the Dutch bank tax, the cost/income ratio would have been 63% in Q4 2012.

- **Impairment charges on loans and other receivables** increased to EUR 466 million from a third-quarter level of EUR 208 million. The third quarter included a EUR 125 million release for Greek government-guaranteed corporate exposures and the fourth quarter a release related to the Madoff files (EUR 78 million). Excluding these, impairment charges would have gone up by EUR 211 million. The increase was mainly recorded in diamond financing activities, Commercial Banking, Merchant Banking and to a lesser extent to mortgages (reflecting unfavourable house price developments).

- The **underlying effective tax rate** was significantly lower, mainly as a result of higher tax-exempt gains (related to the Credit Umbrella and other EC Remedy-related items) compared with Q3.

[4] This is the total amount for 2012, fully accounted for in the fourth quarter

Balance sheet

Statement of condensed financial position		
(in millions)	***31 December 2012***	***31 December 2011***
Cash and balances at central banks	9,796	7,641
Financial assets held for trading	22,804	29,523
Financial investments	21,407	18,721
Loans and receivables - banks	46,398	61,319
Of which securities financing activities	*14,277*	*27,825*
Loans and receivables - customers	276,283	272,008
Of which securities financing activities	*14,495*	*16,449*
Other	17,716	15,470
Total assets	**394,404**	**404,682**
Financial liabilities held for trading	18,782	22,779
Due to banks	21,263	30,962
Of which securities financing activities	*4,360*	*12,629*
Due to customers	216,021	213,616
Of which securities financing activities	*15,142*	*25,394*
Issued debt	94,043	96,310
Subordinated liabilities	9,566	8,697
Other	20,692	20,898
Total liabilities	**380,367**	**393,262**
Equity attributable to the owners of the parent company	14,018	11,400
Equity attributable to non-controlling interests	19	20
Total equity	**14,037**	**11,420**
Total liabilities and equity	**394,404**	**404,682**

Main developments in total assets
Total assets decreased by EUR 10.3 billion to EUR 394.4 billion at 31 December 2012. The decrease was due mainly to a decline in securities financing client volumes and lower equity trade positions. This was partially offset by growth in commercial loans and higher market value of (OTC) derivatives.

Cash and balances at central banks rose by EUR 2.2 billion to EUR 9.8 billion, predominantly as a result of an increase in overnight deposits placed at DNB.

Financial assets held for trading decreased to EUR 22.8 billion, due mainly to lower equity trade positions following uncertainty regarding the impact of Basel III offset by higher market value of interest rate derivatives.

Loans and receivables – banks decreased by EUR 14.9 billion as a result of lower securities financing client volumes (down by EUR 13.5 billion) and the termination of a financing transaction offset by an increase in term deposits at central banks.

Loans and receivables – customers increased by EUR 4.3 billion to EUR 276.3 billion. The commercial loan portfolio grew by EUR 6.2 billion, predominantly due to growth in Merchant Banking (especially at Clearing) and, to a lesser extent, in Private Banking. The mortgage portfolio decreased slightly to EUR 153.9 billion as new production did not fully compensate redemptions.

Loans and receivables - customers		
(in millions)	*31 December 2012*	*31 December 2011*
Loans and receivables - customers other (incl. impairments)	**261,788**	**255,559**
R&PB	178,968	178,507
C&MB	77,450	72,075
Group Functions	5,370	4,977
Securities financing activities	**14,495**	**16,449**
Total loans and receivables - customers	**276,283**	**272,008**

Main developments in total liabilities
Total liabilities went down by EUR 12.9 billion to EUR 380.4 billion, due mainly to a large decrease in securities financing activities, partially offset by an increase in client deposits in Retail & Private Banking.

Financial liabilities held for trading decreased by EUR 4.0 billion to EUR 18.8 billion, due mainly to lower equity trade positions.

Due to customers increased by EUR 2.4 billion to EUR 216.0 billion. The increase in total client deposits (EUR 12.7 billion), predominantly in Retail (EUR 9.9 billion) as well as Private Banking (EUR 4.6 billion), was almost fully neutralised by the decrease in securities financing volumes (down EUR 10.3 billion).

Due to customers		
(in millions)	*31 December 2012*	*31 December 2011*
Total Deposits	**200,541**	**187,797**
R&PB	140,815	126,279
C&MB	55,995	54,982
Group Functions	3,731	6,536
Other (including securities financing activities)	**15,480**	**25,819**
Total Due to customers	**216,021**	**213,616**

Issued debt decreased by EUR 2.3 billion to EUR 94.0 billion. The decrease was due mainly to maturing long-term funding exceeding newly issued long-term funding in 2012.

Subordinated liabilities showed a net increase of EUR 0.9 billion to EUR 9.6 billion, mainly resulting from EUR 2.8 billion newly issued Tier 2 notes offset by the cancellation of the EUR 2.0 billion liability resulting from the former Mandatory Convertible Securities[5] (MCS).

Total equity grew by EUR 2.6 billion, driven primarily by an increase of EUR 1.6 billion following the settlement with Ageas[4] (including cancellation of the abovementioned MCS liability) and EUR 0.9 billion of reported net profit.

Capital position

At 31 December 2012, the Basel II core Tier 1 ratio improved to 12.1%. The Tier 1 and total capital ratios were 12.9% and 18.4% respectively.

Regulatory capital Basel II		
(in millions)	*31 December 2012*	*31 December 2011*
Total equity (IFRS)	**14,037**	**11,420**
Participations in financial institutions	- 323	- 299
Other regulatory adjustments	986	1,484
Core Tier 1 capital	**14,700**	**12,605**
Non-innovative hybrid capital instruments	-	1,750
Innovative hybrid capital instruments	997	994
Tier 1 capital	**15,697**	**15,349**
Subordinated liabilities Upper Tier 2	183	178
Subordinated liabilities Lower Tier 2	6,848	4,709
Participations in financial institutions	- 323	- 299
Other regulatory adjustments	- 5	- 80
Total capital	**22,400**	**19,857**
Risk-weighted assets	**121,506**	**118,286**
Credit risk (RWA)	100,405	101,609
Operational risk (RWA)	15,461	13,010
Market risk (RWA)	5,640	3,667
Core Tier 1 ratio	**12.1%**	**10.7%**
Tier 1 ratio	**12.9%**	**13.0%**
Total capital ratio	**18.4%**	**16.8%**

Note: Core Tier 1 ratio is defined as Tier 1 capital excluding all hybrid capital instruments divided by RWA.

[5] Please refer to section entitled 'Capital position – Main changes in the regulatory capital position'

Main changes in the regulatory capital position

Core Tier 1 capital increased mainly as a result of EUR 686 million of retained profit and the settlement with Ageas on the outstanding legal disputes[6] which resulted, among other things, in the conversion of EUR 1.75 billion of hybrid Tier 1 capital into EUR 1.6 billion equity. Furthermore, upon closer review, it was concluded that the EUR 210 million preference shares no longer qualify for regulatory capital treatment. Prior to the end of March 2013, ABN AMRO expects to call these preference shares. Following the above mentioned settlement with Ageas, the Tier 1 capital and total capital decreased by EUR 150 million.

In the second half of 2012, ABN AMRO issued three subordinated notes in EUR, USD and Singapore Dollar (SGD) totalling EUR 2.8 billion in new Tier 2 capital. In addition, a EUR 1.65 billion subordinated note held by the Dutch State was restructured. Both the newly issued notes and the restructured note are expected to increase the amount of eligible Tier 2 capital under Basel III / CRD IV.

By a decision dated 5 April 2011, the European Commission imposed a call and coupon ban with respect to certain capital instruments. The ban is for a limited period and will end after 10 March 2013.

Main changes in RWA position

Decreases in **credit risk RWA,** primarily caused by releases totalling EUR 8.3 billion following the completion of separation and integration activities and the unwinding of the Credit Umbrella, were partly offset by temporary application of the standardised approach for part of the Large Corporates portfolio (growth of EUR 6.6 billion). **Operational risk RWA** and **market risk RWA** increased, primarily pending the transition from the standardised to the advanced approach. The majority of the portfolio currently reported under the standardised approach is scheduled to move to the advanced IRB approach by 2013.

Basel III / CRD IV

The implementation of CRD IV (a European regulatory framework for implementing Basel III) will cause current Basel II-based capital ratios to be lower. Under the new draft rules, capital requirements will increase, additional capital deductions will be introduced and prudential filters will be adjusted. The draft CRD IV stipulates that some of the new rules are to be phased in. Application of the draft CRD IV rules to the capital position of 31 December 2012 (inclusive impact of amendment in IAS19) would result in a phased-in Common Equity Tier 1 (CET1) ratio of 10.2%, above ABN AMRO's targeted CET1 ratio of at least 10%.

Regulatory capital ratios

	Basel II YE2012	*Basel II (incl IAS19R)*	*Basel III / CRD IV Phase-in 2014*[7]
Core Tier 1 / Common Equity Tier 1 ratio	12.1%	11.1%	10.2%
Tier 1 ratio	12.9%	12.0%	10.8%
Total capital ratio	18.4%	17.5%	14.5%

The fully-loaded CET1 capital ratio would, based on our current capital position, amount to 10.0%.

Basel III further proposes a leverage ratio of at least 3% by 2018. Based on regulatory guidance on the draft rules, ABN AMRO's leverage ratio was 3.2% at 31 December 2012 (up from 3.1% on 31 December 2011[8]), using current Basel II Tier 1 capital as a basis.

[6] For more details, please refer to the press release of 28 June 2012.
[7] Pro forma, based on 31 December 2012
[8] Current guidance is more conservative, mainly in the treatment of netting of securities financing transactions, than the method used in the Annual Report 2011, when a leverage ratio of 3.3% was reported as per 31 December 2011.

Impact of amendment in IAS 19

The European Commission has endorsed the amendments to IAS 19 for the recognition of employee benefits, effective for periods beginning on or after 1 January 2013. The impact has been calculated for transparency purposes.

If these amendments had been applied in 2012, they would have resulted in a positive impact on total profit of EUR 205 million (net of tax). The impact of IAS 19 (as revised in 2011) on the 31 December 2012 balance sheet would have been negative, lowering the Basel II core Tier 1 capital by EUR 1.2 billion. The impact of these amendments on total equity is expected to be highly volatile going forward.

Liquidity Management & Funding

ABN AMRO raises its funding primarily through savings and deposits from R&PB and C&MB clients. At 31 December 2012, total client deposits represented 51% of the balance sheet total (2011: 46%), an increase largely attributable to the successful roll-out of MoneYou (Germany and Belgium) and higher savings in the Netherlands.

In 2012, a total of EUR 14.2 billion of long-term funding (excluding subordinated debt) was issued in different formats, in all major currencies and in a variety of maturities. The funding profile further improved as long-term funding in non-euro currencies came to 13% at year-end 2012 compared with 7.5% in 2011.

Furthermore, ABN AMRO issued EUR 2.8 billion of subordinated notes in 2012, of which SGD 1 billion (EUR 632 million) in Q4 to institutional, retail and private banking clients. These transactions, as well as the senior unsecured Chinese yuan transaction, demonstrate ABN AMRO's strong market access and improved geographical footprint.

Of the long-term funding raised, 53% was in Senior Unsecured Bonds, 21% in Covered Bonds, 10% in securitisations and 16% in subordinated notes, improving diversification of the total outstanding long-term funding. The average original maturity of newly issued funding in 2012 was 6.6 years, which increases the average outstanding maturity of the long-term funding to 4.3 years. In 2013, EUR 14.9 billion of term funding is scheduled to mature[9] (32% securitisations (incl. LT repo), 37% unsecured funding, 21% secured funding, 10% subordinated debt).

Liquidity parameters	31 December 2012	31 December 2011
Loan to deposit ratio	125%	130%
Survival period	> 12 months	> 11 months
LCR ratio	89%	57%
NSFR ratio	108%	100%
Available Liquidity buffer (in EUR billion)	68.0	58.5

9 Assumes redemption on the earliest possible call date or otherwise the legal maturity date. Early redemption of subordinated instruments is subject to the approval of the regulators.

The **loan-to-deposit ratio** improved to 125% on 31 December 2012, down from 130% at year-end 2011, due to growing deposit levels (especially in Retail and Private Banking), which were slightly offset by increases in predominantly commercial loans.

The **survival period** improved to >12 months at 31 December 2012 compared with >11 months at 31 December 2011 and comfortably meets the internally set minimum requirement. The improvement was driven mainly by the increase of the liquidity buffer.

A **liquidity buffer** of unencumbered assets has been retained as a safety cushion in the event of severe liquidity stress. The liquidity buffer increased to EUR 68.0 billion from EUR 58.5 billion at year-end 2011. The increase in the liquidity buffer is in anticipation of new LCR guidelines and the focus of regulators on strengthening buffers in general.

The **Liquidity Coverage Ratio** (LCR) further improved to 89%[10] at 31 December 2012 compared with 57%[11] at 31 December 2011. In January 2013, the Basel Committee published an update on the LCR requirements, indicating a delayed and staged implementation of the LCR ratio. In line with this update, ABN AMRO now targets compliance with the LCR of 100% as of 2014, rather than in 2013.

The **Net Stable Funding Ratio** (NSFR) was 108% at 31 December 2012 as a result of the successful implementation of the funding strategy in the past few years.

Risk management

Despite the adverse economic environment in the Netherlands and abroad, ABN AMRO's impaired loan portfolio was almost stable at EUR 8.6 billion and the unimpaired past due portfolio even showed a marked decrease to EUR 3.9 billion at 31 December 2012 (EUR 4.4 billion at 31 December 2011). The economic circumstances however led to decreased collateral values, which negatively impacted impairment charges in the loan book. Adjusted for the Greek government-guaranteed corporate exposures, impairment charges increased by EUR 476 million year-on-year, driven mainly by impairment charges in commercial real estate, construction, and the diamond financing activities and in the mortgage book.

Dutch housing market, mortgages and consumer lending

The Dutch housing market continued to slow down in 2012, with further declines seen in housing prices (on average 6.3% in 2012) driven by the economic climate, lack of consumer confidence and uncertainty about tax measures.

The bank's residential mortgage portfolio slightly decreased to EUR 153.9 billion with new production amounting to EUR 8.2 billion (of which 56% are NHG[12] mortgages). NHG mortgages comprised 23% of the total mortgage portfolio. For the majority of residential mortgage clients, the total loan amount consists of multiple types of mortgage parts, e.g. 50% savings mortgage and 50% interest-only. In about 40% of the overall portfolio, mortgage loans include an interest-only part that is less than 50% of the total mortgage loan amount. Another 30% of the mortgage portfolio includes mortgage loans with an interest-only part of more than 80%. For this part of the portfolio, there are higher risks of residual debt after a forced or non-forced sale of the house.

10 Calculated based on current information, assumptions and regulatory guidance not taking into account the updated LCR guidelines of January 2013. Based on these new guidelines the LCR is higher by year-end 2012.

11 Calculated based on current information, assumptions and regulatory guidance. A recalculation of LCR as per 31 December 2011 was performed, which resulted in an LCR of 57% at 31 December 2011, instead of 69% previously reported.

12 NHG = Nationale Hypotheek Garantie

Due to the decline in house prices, loan-to-market values have deteriorated. The average indexed loan-to-market value (LtMV) of the residential mortgage portfolio increased to 82% at 31 December 2012 (77% on at 31 December 2011). As per the end of 2012, 22% of the outstanding mortgage volume had an LtMV above 100% (14% at 31 December 2011).

The past due (up to 90 days) and impaired (more than 90 days past due) residential mortgages portfolio increased by EUR 276 million and EUR 112 million respectively due to a growing number of clients facing unemployment as a result of deteriorating economic conditions. ABN AMRO continues to actively manage the portfolio to minimise past due inflows by pro-actively approaching clients who possibly face financial difficulties (for example due to high LtMV mortgage loans), taking measures to mitigate increased risk (including proactive client support, and review of the portfolio for current and potential developments that may affect the credit quality, such as the approach at the end of an interest rate re-pricing period) and devoting heightened attention to the redemption process for defaulted mortgage loans.

The consumer loan portfolio, which stood at EUR 16.6 billion at 31 December 2012, saw a significant increase in the impaired portfolio to EUR 0.7 billion at 31 December 2012 due to deteriorated economic circumstances (EUR 0.5 billion 31 December 2011).

Commercial loans

Past due portfolio (including >90 days past due) of unimpaired commercial loans decreased from EUR 1.1 billion to EUR 0.2 billion (or 0.2% of the unimpaired commercial loan portfolio) at 31 December 2012 because a large part of the part due portfolio became impaired and about EUR 0.5 billion has been restructured or repaid. The impaired portfolio of commercial loans decreased to EUR 6.4 billion (or 6.1% of the outstanding commercial loan portfolio) from EUR 6.6 billion (6.6%). The coverage ratio for the total commercial loan portfolio decreased slightly to 67.7% on 31 December 2012 from 69.8% at year-end 2011. In addition, a reclassification of commercial loans to consumer loans decreased the impaired commercial loan portfolio. Despite the optical improvement of the portfolio, impairment charges on commercial loans were again higher compared with last year. The deterioration is visible across the board in the commercial loan book, but especially in the construction, retail and (commercial) real estate sectors.

Real estate exposure

Given current market conditions, ABN AMRO has conducted an in-depth screening of its customer portfolio for all commercial real estate exposures[13]. This screening assessed both the quality of the assets and the credit quality of the borrowers and included an analysis of the loan-to-market value as well as interest and principal repayment capacity.

Irrespective of present market conditions, ABN AMRO's portfolio has relatively low Loan-to-Values. Loans are based almost exclusively on Dutch property. The loan portfolio consists mainly of investment loans diversified across different asset types. Exposures to office investments as well as land banks are limited.
At 31 December 2012, the EAD of ABN AMRO's real estate financing as shown in the industry concentration table amounted to EUR 12.0 billion and the portfolios had different risk characteristics.

[13] Commercial real estate (CRE) exposures under a conservative definition: "Land or property owned by investors or project developers with the purpose to develop, to trade or to rent the land or property. The credit quality of the counterparty depends on real estate generating cash flows and income producing real estate."

In Commercial & Merchant Banking, the CRE exposures consists of

- Corporate based real estate, consisting of corporate lending to (listed) institutional real estate investment companies (REITs), mainly active in residential and retail assets
- Asset based real estate consisting of asset based lending to real estate investment and/or development companies, with fully secured senior loans and, generally non-recourse. Exposure to developers is limited. Financing to developers can take place when pre-let and / or pre-sold requirements are met. The corporate based real estate and the asset based real estate portfolios are managed by a dedicated Real Estate Finance department in Merchant Banking
- CRE exposure to SME companies (part of Commercial Banking), with fully secured senior loans.

Of the C&MB portfolios the Asset based real estate and the SME portfolios are the largest and are similar in size.

In addition ABN AMRO has exposures to Social Housing corporations which are guaranteed by Waarborgfonds Sociale Woningbouw (WSW). WSW, triple A rated at 28 February 2013, provides guarantees to lenders granting loans to housing associations for social housing projects and other properties with a social or public function.

There has been a reclassification from and to CRE financing as part of the in-depth portfolio screening. In the industry concentration table, CRE exposure as at 31 December 2011 was restated from EUR 9.5 billion to EUR 11.5 billion. This restatement is due to reclassifications of industry sectors as a result of system migrations to complete the integration, and considered to be more accurate. The migrated clients now assigned to the industry sector Real Estate were previously assigned to the industry sectors 'Other' and 'Financial services'. As a result, the net growth of the CRE portfolio amounted to EUR 0.5 billion in EAD in 2012, mainly realised in Commercial Banking and Merchant Banking.

At 31 December 2012, the impaired exposure on real estate amounted to EUR 696 million. Specific loan impairment charges amounted to EUR 308 million, and were predominantly taken in the area of office investment and (unsecured) land bank loans in its majority in the exposures in Commercial & Merchant Banking. As the result of the screening an Incurred But Not Identified (IBNI) charge of EUR 44 million was taken in the first half of 2012. The coverage ratio for real estate impaired exposures as per 31 December 2012 was 66%.

In view of the negative outlook for the Dutch real estate sector, management has taken action to tighten commercial real estate loan approval policies and has increased the focus on management of the current portfolio. All new loan applications above a limit of EUR 0.5 million require a mandatory recommendation by the Real Estate Finance department in Merchant Banking.

Energy, Commodities & Transportation (ECT) exposure

The ECT loan portfolio was EUR 12.5 billion (2011: EUR 13.4 billion) and is mainly USD-denominated. The year-on-year decline was caused by a transfer of the 'escrow' payments business (EUR 0.8 billion) from ECT to Cash Management and the weakening of the US dollar.

The breakdown over the three sectors did not change materially. Roughly half of the ECT loan portfolio consisted of Commodities. The other half comprised Transportation (one-third) and Energy (one-sixth).

The **Commodities loan portfolio** grew slightly. Impairment allowances remained at low levels. Off balance sheet credit facilities and guarantees relate mainly to clients in the Commodity sector, and amounted to around 20% of the total off-balance sheet exposure. The Commodities off-balance sheet facilities and guarantees increased during the first half of 2012 and mainly consist of short-term, largely uncommitted credit facilities.

The **Transportation loan portfolio** is diversified in terms of segments with tankers, dry/wet bulk and container carriers. The main focus is on the deep sea shipping industry (in particular modern, economical ships), and the container industry. The majority of the portfolio was originated from 2008 onwards, in a relatively low asset value environment. Despite challenging markets in certain parts of the shipping industry, in particular the tanker and dry cargo markets, impairment charges remained subdued. In anticipation of a further deterioration in market values, an Incurred But Not Identified (IBNI) charge of EUR 10 million was taken.

The **Energy loan portfolio** consists of a diversified client base in the oil and gas and off-shore services industries, and is typically known for its long-term contracts with large oil companies. Impairments in the Energy portfolio remained negligible in 2012.

Total loan impairments for the ECT portfolio amounted to EUR 33 million in 2012. The loss rate, expressed as impairment charges over amounts outstanding on the balance sheet, was 27 basis points. This is low given the current economic environment. Due to a relatively large impairment recorded in Commodities, it is somewhat higher than the longer term observed loss rates for ECT of approximately 20 basis points.

European exposures

At 31 December 2012, the credit exposure (based on EAD) was concentrated in the Netherlands (81%) and in the rest of Europe (12%), mainly the UK and France. The majority of the credit exposure in the rest of Europe was concentrated in Corporates 55%, with 22% in Institutions and 21% in Central Governments and Central Banks. Government exposures to Spain remained unchanged at EUR 0.1 billion, while government exposures to Italy increased by EUR 0.1 billion to EUR 0.4 billion due to fair value increases. There were no material exposures to Italian and Spanish institutions and corporates. Following the sale in early October of part of the Greek government-guaranteed exposures, the Greek government-guaranteed exposures amounted to EUR 0.3 billion after impairment charges (gross EUR 1.0 billion) at 31 December 2012.

Integration

Back in 2009, ABN AMRO management took on the challenging task of integrating Fortis Bank Nederland (FBN) and the Dutch State acquired businesses of former ABN AMRO Holding. The two organisations were successfully combined into one strong, integrated bank. All integration activities were finalised on schedule and within the original overall budget of EUR 1.6 billion, with a minimum of inconvenience to clients. Pre-tax integration costs amounted to EUR 448 million in 2012, bringing total integration costs to EUR 1.6 billion at the end of 2012.

Cumulative integration-related synergies in the period from 2009 to 2012 amounted to approximately EUR 1.0 billion at year-end 2012. Several activities were divested as a result of which the synergies related to these activities could not be realised. In addition, during the integration period EUR 0.2 billion of expected cost increases were avoided leading to a lower than expected cost base. The targeted integration synergies of EUR 1.1 billion as from 2013 were translated into a cost/income ratio between 60% and 65%. The 2012 cost/income ratio of 61% was at the lower end of this targeted range, reflecting successful realisation of the synergies.

The changing workforce

Combining two workforces of a total of approximately 30,000 employees (including divestments) was no small challenge, and a merger of this size inevitably had consequences for the workforce. At this point, nearly all employees have been informed of the implications of the merger for their future with the bank. As a result of the integration, the workforce was reduced by approximately 4,500 FTEs (excluding the impact of divestments and acquisitions) over the period 2009-2012.

Dividend

Upon publication of the full-year 2010 results in March 2011, ABN AMRO announced its dividend policy, targeting a pay-out ratio of 40% of the reported net annual profit. Even though ABN AMRO is currently well positioned for Basel III, the bank would like to build up additional capital buffers in order to execute its strategic ambitions and to provide for the impact of other new regulations. For reasons of prudence and in close consultation with the shareholder, ABN AMRO has proposed a temporary reduction of the pay-out ratio. The dividend proposed for 2012 is EUR 250 million. Over the coming years, the targeted pay-out ratio will gradually increase again to a 40% pay-out ratio over full-year 2015 net profit. ABN AMRO intends to make an interim dividend payment if the interim results so allow.

In addition to the proposed dividend for the ordinary shareholder, a EUR 12 million preferred dividend will be paid out.

Credit ratings update

At the date of this press release, the credit ratings of ABN AMRO Bank were as follows:

Credit ratings ABN AMRO Bank

Rating agency	*Long term*	*Outlook*	*Short term*	*Latest change*
DBRS	Ahigh	Stable	R-1middle	Unchanged
Fitch Ratings	A+	Negative	F1+	6 February 2013
Moody's	A2	Stable	P-1	15 June 2012
S&P	A	Stable	A-1	19 November 2012

In June 2012, as part of its review of over 100 European financials, Moody's lowered both the long-term and standalone unsupported ratings in line with peers to 'A2' and 'Baa2' respectively.

In November 2012, S&P downgraded the banking industry country risk assessment score for the Netherlands, which had a negative impact on bank ratings. Following this review, the bank's long-term rating was lowered to A with a stable outlook.

In February 2013, Fitch changed the outlook on the Netherlands to negative. As a result, several Dutch banks, including ABN AMRO, were impacted by an outlook change to negative. The outlook revision itself is not a rating action on ABN AMRO's standalone credit profile, but merely a consequence of the standalone rating (viability rating of bbb+) being below the current rating floor (A+) for Dutch systemic banks.

Strategic update

In the past few years, a strong organisation was built on ABN AMRO Bank and Fortis Bank Nederland. Today, ABN AMRO is a solid bank with many of its key capabilities strengthened, and a leading Dutch bank with the majority of revenues generated by interest income and fees & commissions. The business model is clearly defined and the bank has a strong position in the Netherlands in all business activities. This is complemented by international growth areas in private banking, ECT, clearing, lease- and commercial finance activities. ABN AMRO has a moderate risk profile, characterised by a focus on traditional banking activities and primarily client-driven trading and investment banking activities, a clean balance sheet and a diversified loan book which is safeguarded by focused risk management.

The banking landscape is changing at an unprecedented pace, and ABN AMRO is keen to respond alertly to the changes while maintaining a steady course. Changing client expectations and economic, technological and regulatory developments are putting significant pressure on the earnings model, requiring a continuous review of the bank's value propositions to its stakeholders. However, these changes also offer opportunities.

To prepare for the challenges of the future, the horizon has been extended to 2017 and clear choices have been made for the bank's local and international operations. The refined elements of the strategy can be categorised into the following strategic priorities:

- Enhance client centricity
- Invest in our future
- Strongly commit to a moderate risk profile
- Pursue selective international growth
- Improve profitability

Enhance client centricity: ABN AMRO aims to stand out from other banks based on the quality and relevance of its advice. The bank intends to further distinguish itself by enhancing its need-based client segmentation in Retail, Private, Commercial and Merchant Banking. ABN AMRO aims to meet client needs more proactively through advanced client analytics, segmentation and in-depth sector expertise and to develop its products, services and channels accordingly.

Invest in our future: ABN AMRO plans to re-engineer its IT landscape and optimise its processes; gain a recognised position in sustainability, and become a top class employer.

The bank's IT efforts so far have been focused on the integration while minimising inconvenience to clients. As technological innovations are constantly raising clients' expectations, fundamental choices have been made to upgrade the IT landscape and standardise and rationalise processes. ABN AMRO expects to invest approximately EUR 0.7 billion in total up to 2017 to structurally lower its cost base and enable the business objectives. This investment aims to structurally lower the gross cost base, by approximately 2–3 percentage points of group cost/income ratio by 2017 and is expected to further decrease the cost base in the years thereafter.

To gain a recognised position in sustainability ABN AMRO will focus on a number of priority areas that help deliver balanced and sustainable value to stakeholders: a commitment to sustainable business operations, putting clients' interests centre stage and building sustainable relationships, using financial expertise for the benefit of society and financing in a sustainable manner. Lastly, ABN AMRO aims to further improve transparency in all its interactions and communications with clients, investors and other stakeholders.

To ensure its attractiveness as an employer in the coming years, ABN AMRO aims to position the bank as a top class employer that enables employees to fully develop their talents. Three key aspirations have been formulated: creating a meaningful corporate identity, achieving a culture of excellence and being the best place to work.

Strongly commit to a moderate risk profile: ABN AMRO is committed to maintaining a clean and strong balance sheet which it aims to optimise in response to changing regulations. ABN AMRO's goal is to have its balance sheet continue to be characterised by primarily client-driven trading and investment banking activities. To further optimise the balance sheet, ABN AMRO intends to increase the share of asset-based finance, gather more deposits to lower the loan-to-deposit ratio and curtail growth of the mortgage book. The entire capital allocation will mainly be based on risk-adjusted performance measures to ensure that return targets are met. ABN AMRO plans to position itself well above regulatory requirements in terms of capital ratios.

Pursue selective international growth: In order to further diversify its income base, ABN AMRO wants to grow the business outside the Netherlands and increase the international operating income. ABN AMRO plans to expand the businesses only in markets where the bank is currently present, and will only go for growth in activities at which ABN AMRO excels and is able to obtain a leading position. In doing so, ABN AMRO will leverage its existing market presence and expertise in activities such as Private Banking, Energy, Commodities & Transportation and Clearing. ABN AMRO aims to have its international operations generate 20-25% of total revenues in 2017, as opposed to the current level of 18%.

Improve profitability: ABN AMRO wants to continue to improve the efficiency of its businesses. The bank launched several cost control and efficiency improvement initiatives. We have launched Customer Excellence, a way of working leading to better service and more efficient processes and we will continue to pursue ambitions in the important area of cost control.

Based on the above strategic priorities, ABN AMRO now targets a cost/income ratio of 56-60% for 2017, including the additional costs of new regulations, government measures and taxation; a Common Equity Tier 1 (CET) ratio under Basel III comfortably above the regulatory minimum, increasing it gradually to a range of 11.5-12.5%[14] by 2017; and a return on equity of 9-12%[14]. The previous commitments included a cost/income ratio between 60-65% by the end of 2012 and a cost/income ratio structurally below 60% by the end of 2014. These commitments were set at a time when regulations such as the Dutch bank tax and the new deposit guarantee scheme were not yet known in full. While we met the commitment for 2012, the cost of (new) regulations and the planned investment in new technology means that meeting the target for 2014 will be a challenge.

Update since 31 December 2012

SNS Reaal

On 1 February, the Government of the Netherlands announced the nationalisation of SNS Reaal N.V. The Government of the Netherlands also announced the proposal of a EUR 1 billion one-off resolution levy for all banks to be levied in 2014. The impact of this proposal on the results of ABN AMRO is currently estimated to be in the range of EUR 200-250 million (net-of-tax), depending on the final details of the levy.

ABN AMRO will further assess the financial impact of the levy (exact amount and timing of recording) as soon as more details become available.

Lower Tier 2 notes

The current call and coupon ban on existing capital instruments as imposed by the European Commission will expire on 11 March 2013. On 20 February, ABN AMRO announced that following the expiration of the ban, it will, as part of normal management activities, exercise its early redemption rights on certain Tier 2 instruments in full at the time of the next interest payment dates in accordance with the relevant terms and conditions.

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[14] Assuming no further volatility of the pension liability after first-time adoption of IAS19 (as revised in 2011) as per 1-1-2013

Annex 1: Reported Consolidated Income Statement

Reported results			
(in millions)	***2012***	***2011***	***change***
Interest income	*13,038*	*13,223*	*-1%*
Interest expense	*8,010*	*8,225*	*-3%*
Net interest income	5,028	4,998	1%
Fee and commission income	*2,552*	*2,548*	*0%*
Fee and commission expense	*996*	*737*	*35%*
Net fee and commission income	1,556	1,811	-14%
Net trading income	*263*	*224*	*17%*
Results from financial transactions	*31*	*274*	*-89%*
Share of result in equity accounted investments	*74*	*84*	*-12%*
Other income	*386*	*403*	*-4%*
Operating income	7,338	7,794	-6%
Personnel expenses	*2,424*	*2,517*	*-4%*
General and administrative expenses	*2,269*	*2,439*	*-7%*
Depreciation and amortisation of tangible and intangible assets	*266*	*401*	*-34%*
Operating expenses	4,959	5,357	-7%
Operating result	**2,379**	**2,437**	**-2%**
Impairment charges on loans and other receivables	1,228	1,757	-30%
Operating profit before taxes	**1,151**	**680**	**69%**
Income tax expenses	203	- 9	
Profit for the period	**948**	**689**	**38%**
Attributable to:			
Owners of the company	*948*	*665*	
Non-controlling interests	*-*	*24*	
Reported cost/income ratio	**68%**	**69%**	

Annex 2: Reconciliation from reported to underlying results

The reported figures were impacted by several items related to the integration of ABN AMRO Bank and FBN.[15] To ensure a better understanding of the underlying trends, the 2012 and 2011 figures have been adjusted for these items.

Income Statement						
	Reported		Separation & integration-related costs		Underlying	
(in millions)	***2012***	***2011***	***2012***	***2011***	***2012***	***2011***
Net interest income	*5,028*	*4,998*	*-*	*-*	*5,028*	*4,998*
Net fee and commission income	*1,556*	*1,811*	*-*	*-*	*1,556*	*1,811*
Other non-interest income	*754*	*985*	*-*	*-*	*754*	*985*
Operating income	7,338	7,794	-	-	7,338	7,794
Operating expenses	4,959	5,357	450	362	4,509	4,995
Operating result	**2,379**	**2,437**	**- 450**	**- 362**	**2,829**	**2,799**
Impairment charges on financial instruments	1,228	1,757	-	-	1,228	1,757
Operating profit before taxes	**1,151**	**680**	**- 450**	**- 362**	**1,601**	**1,042**
Income tax	203	- 9	- 113	- 91	316	82
Profit for the period	**948**	**689**	**- 337**	**- 271**	**1,285**	**960**

15 The integration of the two banks follows the separation of ABN AMRO Bank from RBS N.V. and Fortis Bank Nederland N.V. (FBN) from Fortis Bank SA/NV.

Annex 3: Segmented underlying results

ABN AMRO is organised into Retail & Private Banking (R&PB), Commercial & Merchant Banking (C&MB) and Group Functions. For financial reporting purposes, the Managing Board has adopted the following segment reporting: Retail Banking, Private Banking, Commercial Banking, Merchant Banking and Group Functions.

Breakdown of underlying result of Retail & Private Banking

R&PB consists of Retail Banking and Private Banking (including ID&JG), each of which serves a different client base with a tailored proposition.

Underlying results R&PB

	Retail Banking			*Private Banking*			*R&PB Total*	
(in millions)	*2012*	*2011*	*Change*	*2012*	*2011*	*Change*	*2012*	*2011*
Net interest income	*2,604*	*2,671*	*-3%*	*537*	*558*	*-4%*	*3,141*	*3,229*
Net fee and commission income	*465*	*490*	*-5%*	*508*	*578*	*-12%*	*973*	*1,068*
Other non-interest income	*36*	*51*	*-29%*	*69*	*166*	*-58%*	*105*	*217*
Operating income	3,105	3,212	-3%	1,114	1,302	-14%	4,219	4,514
Personnel expenses	*461*	*499*	*-8%*	*436*	*484*	*-10%*	*897*	*983*
Other expenses	*1,227*	*1,266*	*-3%*	*459*	*506*	*-9%*	*1,686*	*1,772*
Operating expenses	1,688	1,765	-4%	895	990	-10%	2,583	2,755
Operating result	**1,417**	**1,447**	**-2%**	**219**	**312**	**-30%**	**1,636**	**1,759**
Loan impairments	383	276	39%	203	16		586	292
Operating profit before taxes	**1,034**	**1,171**	**-12%**	**16**	**296**	**-95%**	**1,050**	**1,467**
Income tax expenses	260	283	-8%	- 30	41		230	324
Profit for the period	**774**	**888**	**-13%**	**46**	**255**	**-82%**	**820**	**1,143**

Other indicators

	Retail Banking			*Private Banking*			*R&PB Total*	
	2012	*2011*		*2012*	*2011*		*2012*	*2011*
Underlying cost/income ratio	54%	55%		80%	76%		61%	61%
Return on average RWA	252	272		34	187		184	247
Cost of risk (in bps)	125	84		148	12		132	63
	YE2012	*YE2011*		*YE2012*	*YE2011*		*YE2012*	*YE2011*
Loan-to-deposit ratio	190%	218%		28%	28%		123%	137%
Loans and receivables customers (in billions)	161.7	162.6	-1%	17.3	16.0	9%	179.0	178.5
Of which: mortgages	*150.4*	*151.5*	*-1%*	*3.4*	*3.6*	*-4%*	*153.8*	*155.1*
Due to customers (in billions)	81.9	72.0	14%	58.9	54.3	9%	140.8	126.3
Risk-weighted assets (in billions)	30.1	32.3	-7%	10.7	13.8	-22%	40.8	46.1
FTEs (end of period)	6,335	6,680	-5%	3,648	3,746	-3%	9,983	10,426

Retail Banking

Retail Banking serves Mass Retail and Preferred Banking clients[16] and offers a wide variety of banking and insurance products and services through the branch network, online, via contact centres and through subsidiaries.

Retail Banking's net profit in 2012 went down by EUR 114 million to EUR 774 million as a result of lower operating income and higher impairment charges.

- **Operating income** in 2012 declined by EUR 107 million or 3% to EUR 3,105 million.

  Net interest income decreased by EUR 67 million to EUR 2,604 million, as savings revenues remained under pressure due to low market interest rate levels. The decreased margins could not be compensated by higher margins on new mortgages and on consumer lending portfolio. **Net fee and commission income** declined by EUR 25 million to EUR 465 million, due to lower securities transaction volumes as a result of unfavourable market conditions.

- **Operating expenses** came down EUR 77 million to EUR 1,688 million.

  Personnel expenses decreased by 8% due to a lower average number of FTEs as the branch network was further optimised (reduction of number of branches to 408 in 2012). **Other expenses** showed a marginal increase as the Dutch bank tax introduced in 2012 and higher losses for cybercrime were largely offset by a decrease in temporary staff expenses and intersegment costs.

- The **operating result** declined by 2%, and the **cost/income ratio** came down to 54% from 55% in 2011.

- **Impairment charges on loans and other receivables** increased by EUR 107 million to EUR 383 million. The rise in impairment charges was mainly related to the residential mortgage portfolio, reflecting a deterioration in the economic environment in the Netherlands, particularly the housing market, compared with a year ago. Despite lower house prices, Retail Banking's RWA decreased as a result of active management. The combination of higher loan impairment charges and lower RWA pushed up the cost of risk by 41bps to 125bps.

- **Loans and receivables – customers** fell slightly compared with year-end 2011 to EUR 161.7 billion. This decrease was predominantly apparent in mortgage loans, as the residential mortgage book (more than 90% of Retail Banking's loan book) decreased to EUR 150.4 billion. The mortgage market slowed down further in 2012. Although the number of mortgage transactions remained at low levels and was again lower than in 2011, new mortgage production picked up in Q2 due to an anticipated increase in the transfer tax. The number of mortgage transactions rallied towards the end of the fourth quarter as a result of the announced measures relating to interest deductibility as of 1 January 2013.

- **Due to customers** rose by EUR 9.9 billion to EUR 81.9 billion at 31 December 2012. Fierce competition in the Dutch market for retail savings recorded in the first quarter of 2012 eased up towards the end of the year as the total market volume showed a remarkable increase in 2012. These developments combined with the successful roll-out of MoneYou in Germany and Belgium were the basis for growth in retail savings.

- The number of **FTEs** in Retail Banking decreased by 345 in 2012 to 6,335, due mainly to further optimisation of the branch network and the transfer of several YourBusiness Banking account managers to Commercial Banking. This was partly offset by insourcing of the ICS call centre.

16 Preferred Banking is ABN AMRO's servicing concept for clients with a net monthly income exceeding EUR 5,000 or EUR 50,000 – EUR 1 million in investable assets.

Private Banking

Private Banking provides global wealth management solutions to its clients and offers a rich array of products and services designed to address their individual needs. Private Banking operates under the brand name ABN AMRO MeesPierson in the Netherlands and internationally under the name ABN AMRO Private Banking and local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany. The Private Banking segment includes the activities of the ID&JG.

Private Banking's net profit declined by EUR 209 million to EUR 46 million mainly as a result of higher impairment charges and the sale of the Swiss Banking activities in the fourth quarter of 2011. The results of Private Banking include the results of ID&JG, which fell sharply year-on-year due to higher impairment charges in 2012. Excluding the net result of ID&JG and the impact of the sale of the Swiss Private Banking activities, net profit would have decreased by EUR 38 million.

- **Operating income** came down 14% to EUR 1,114 million. Excluding the divestment, operating income was almost unchanged.

  Net interest income decreased by 4% to EUR 537 million as a result of lower margins on saving products in the Netherlands, partly compensated by a switch out of investments into cash (mainly in Private Banking International). **Net fee and commission income** decreased by 12% due mainly to structurally lower fee income following the sale of the Swiss Private Banking activities and lower client activity. **Other non-interest income** decreased by EUR 97 million due to the divestment of the Swiss Private Banking activities.

- **Operating expenses** declined by 10% following the sale of the Swiss Private Banking activities. Excluding divestments, operating expenses decreased by 1%.

- **The operating result** fell by 30% to EUR 219 million, while the **cost/income ratio** deteriorated by 4 percentage points (improved by 1 percentage point excluding divestments) to 80%.

- **Impairment charges on loans and other receivables** rose by EUR 187 million to EUR 203 million for full-year 2012. The majority of the increase was related to a few large impairments in the diamond financing activities and, to a lesser extent, to commercial real estate-linked exposures and some legacy products.

- **Loans and receivables – customers** rose 9% to EUR 17.3 billion, due in particular to an increase in commercial loans internationally.

- **Due to customers** increased by 9% as a result of deposit inflow and clients switching from securities to cash.

- The number of **FTEs** decreased by 98 to 3,648 in 2012 as a result of the integration of LGT Germany and cost efficiency measures in the Netherlands.

- **Assets under Management (AuM)** increased by EUR 16.5 billion to EUR 163.1 billion as a result of improved market performance of the securities portfolios and net new assets of EUR 3.1 billion, mainly in Private Banking International.

Assets under Management developments

(in billions)	*2012*	*2011*
Opening Balance AuM	**146.6**	**164.2**
Net new assets	3.1	0.9
Market Performance	13.4	- 9.3
Divestments/acquisitions	-	- 5.0
Other	-	- 4.2
Closing Balance AuM	**163.1**	**146.6**

Breakdown of underlying result of Commercial & Merchant Banking

C&MB is organised into Commercial Banking and Merchant Banking, each of which serves a different client base with tailored business propositions.

Underlying results C&MB

	Commercial Banking			*Merchant Banking*			*C&MB Total*	
(in millions)	*2012*	*2011*	*Change*	*2012*	*2011*	*Change*	*2012*	*2011*
Net interest income	*1,264*	*1,231*	*3%*	*652*	*546*	*19%*	*1,916*	*1,777*
Net fee and commission income	*302*	*366*	*-17%*	*376*	*364*	*3%*	*678*	*730*
Other non-interest income	*19*	*80*	*-76%*	*433*	*420*	*3%*	*452*	*500*
Operating income	1,585	1,677	-5%	1,461	1,330	10%	3,046	3,007
Personnel expenses	*301*	*342*	*-12%*	*306*	*285*	*7%*	*607*	*627*
Other expenses	*680*	*805*	*-16%*	*634*	*575*	*10%*	*1,314*	*1,380*
Operating expenses	981	1,147	-14%	940	860	9%	1,921	2,007
Operating result	**604**	**530**	**14%**	**521**	**470**	**11%**	**1,125**	**1,000**
Loan impairments	587	606	-3%	256	27		843	633
Operating profit before taxes	**17**	**- 76**		**265**	**443**	**-40%**	**282**	**367**
Income tax expenses	10	- 12		21	22	-5%	31	10
Profit for the period	**7**	**- 64**		**244**	**421**	**-42%**	**251**	**357**

Other indicators

	Commercial Banking			*Merchant Banking*			*C&MB Total*	
	2012	*2011*		*2012*	*2011*		*2012*	*2011*
Underlying cost/income ratio	62%	68%		64%	65%		63%	67%
Return on average RWA (in bps)	3	- 23		55	131		35	60
Cost of risk (in bps)	214	221		58	8		118	106
	YE2012	*YE2011*	*Change*	*YE2012*	*YE2011*	*Change*	*YE2012*	*YE2011*
Loan-to-deposit ratio	122%	122%		155%	137%		135%	128%
Loans and receivables customers (in billions)	42.4	41.9	1%	49.6	46.6	6%	91.9	88.5
Due to customers (in billions)	34.4	34.0	1%	37.0	46.6	-21%	71.5	80.7
Risk-weighted assets (in billions)	28.8	28.3	2%	45.5	36.1	26%	74.3	64.4
FTEs	3,249	3,547	-8%	2,142	1,998	7%	5,391	5,545

Commercial Banking

Commercial Banking serves commercial clients with an annual turnover up to EUR 500 million and clients in the public sector, commercial finance and leasing. Commercial Banking consists of two business lines: Business Banking and Corporate Clients.

Net profit for Commercial Banking continued to be impacted by high impairment charges on loans and other receivables. Net profit for 2012 amounted to EUR 7 million (compared with a loss of EUR 64 million in 2011). In alignment with market practice, as from 2012 lease costs are recorded under operating income (other non-interest income) and no longer under (other) operating expenses.

- **Operating income** amounted to EUR 1,585 million, down by EUR 92 million, due mainly to the divestment of international division of FCF in 2011 and the sale of the commercial insurance operations in 2012, and the abovementioned reclassification of lease costs.

  Net interest income increased by 3% to EUR 1,264 million. Excluding the impact of the divestments, net interest income would have increased by 6%, mainly as a result of volume growth in client lending. **Net fee and commission income** declined by EUR 64 million, due mainly to the abovementioned divestments. The decrease in **other non-interest income** related predominantly to the abovementioned reclassification of lease costs from other expenses.
- **Operating expenses** declined by 14% as a result of the abovementioned reclassification, divestments and lower intersegment costs.

  Personnel expenses decreased by EUR 41 million to EUR 301 million, primarily as a result of divestments. Excluding divestments, personnel expenses showed limited growth. **Other expenses** fell by 16% to EUR 680 million, largely due to the abovementioned reclassification. Excluding these effects, other expenses decreased by 7%, primarily reflecting lower intersegment costs.

- The **operating result** rose 14% and the **cost/income ratio** improved to 62% from 68% in 2011.

- **Impairment charges on loans and other receivables** amounted to EUR 587 million in 2012, down EUR 19 million compared with 2011. Impairment charges are still at elevated levels, with cost of risk at 214bps. The construction, retail and (commercial) real estate-related sectors are among those affected.

- **Loans and receivables – customers** increased by EUR 0.4 billion compared with year-end 2011 to EUR 42.4 billion, due mainly to volume growth, offset by re-allocation of certain positions to Markets and Retail Banking.

- **Due to customers** increased by 1% to EUR 34.4 billion as a result of business growth in both Business Banking and Corporate Clients, offset by the re-allocation of positions to Markets and Retail Banking.

- The number of **FTEs** decreased by 298 to 3,249, due mainly to the sale of the commercial insurance activities and the transfer of SME insurance activities to ABN AMRO Verzekeringen.

Merchant Banking

Merchant Banking serves Netherlands-based corporates, financial institutions and real estate investors as well as international companies active in ECT. Merchant Banking is organised into two business lines: Large Corporates & Merchant Banking (LC&MB) which includes ECT and Private Equity, and Markets which includes the Clearing activities.

Net profit for 2012 amounted to EUR 244 million, down from EUR 421 million in 2011, as a result of higher impairment charges, partly offset by a higher operating result.

- **Operating income** improved by 10% or EUR 131 million compared with 2011.

  Net interest income increased by 19% to EUR 652 million, due mainly to higher interest income in Markets activities. The remainder of the growth came from ECT. **Net fee and commission income** increased by 3% to EUR 376 million, mainly reflecting growth in the ECT business offset by lower volumes at Clearing. **Other non-interest income** was EUR 433 million, 3% higher compared with the previous year. Markets sales and trading showed better results, offset by lower private equity results and a one-off gain last year.

- **Operating expenses** grew by EUR 80 million to EUR 940 million, due primarily to the impact of the Dutch bank tax.

  Personnel expenses rose 7% to EUR 306 million, mainly as a result of growth in foreign operations as well as the acquisition of professionals from RBS N.V.. **Other expenses** went up 10% to EUR 634 million, mainly reflecting the impact of the Dutch bank tax, offset by slightly lower intersegment costs.

- The **operating result** rose 11% to EUR 521 million and the **cost/income ratio** improved to 64% from 65% in 2011.

- **Impairment charges on loans and other receivables** over 2012 amounted to EUR 256 million. 2011 showed a charge of EUR 27 million as significant releases were recorded. Several impairments were recorded in the public and real estate sectors in 2012. Cost of risk increased to 58bps (from 8bps in 2011).

- **Loans and receivables – customers** amounted to EUR 49.6 billion, an increase of EUR 3.0 billion. Client volumes in securities financing activities decreased, while growth was recorded in LC&MB's commercial loan portfolio and at Clearing.

- **Due to customers** decreased by EUR 9.6 billion to EUR 37.0 billion, due mainly to lower client volumes in the securities financing activities.

- The number of **FTEs** went up by 144 to 2,142, due to growth of the foreign operations and the acquisition of RBS professionals to strengthen certain product capabilities.

Breakdown of underlying result of Group Functions

Group Functions supports the business segments and consists of Technology, Operations & Property Services (TOPS); Finance; Risk Management & Strategy; Integration, Communication & Compliance (ICC); Group Audit and the Corporate Office. The majority of Group Functions' costs are allocated to the businesses. Group Functions' results include the results of ALM/Treasury.

Underlying results Group Functions			
(in millions)	***2012***	***2011***	***Change***
Net interest income	*- 29*	*- 8*	
Net fee and commission income	*- 95*	*13*	
Other non-interest income	*197*	*268*	*-26%*
Operating income	73	273	-73%
Personnel expenses	*742*	*928*	*-20%*
Other expenses	*- 737*	*- 695*	*-6%*
Operating expenses	5	233	-98%
Operating result	**68**	**40**	**70%**
Impairment charges on loans and other receivables	- 201	832	
Operating profit before taxes	**269**	**- 792**	
Income tax expenses	55	- 252	
Profit for the period	**214**	**- 540**	

Other indicators			
	YE2012	***YE2011***	***Change***
Loans and receivables customers (in billions)	5.4	5.0	8%
Due to customers (in billions)	3.7	6.7	-44%
Risk-weighted assets (in billions)	6.4	7.8	-18%
FTEs	7,685	8,254	-7%

The net result rose to EUR 214 million, up from a loss of EUR 540 million.

- **Operating income** declined by EUR 200 million, of which EUR 30 million resulted from the divestment of activities.

  Net interest income decreased by EUR 21 million to EUR 29 million negative. The decline was due mainly to higher funding costs resulting from the lengthening of the funding maturity profile and higher capital costs related to the newly issued subordinated debt instruments. **Net fee and commission income** dropped by EUR 108 million to EUR 95 million negative. This decline mainly reflects the effect of divestments, the occurrence of several positive large items in 2011 and a reclassification of international payment fees from other expenses in 2012. **Other non-interest income** went down by EUR 71 million, as the positive impact of releases from the Credit Umbrella and other EC Remedy-related provisions (EUR 215 million) was more than offset by fair value changes to structured funding instruments, the result of movements in interest rates, lower market valuations of the trading book and the impact of hedge accounting ineffectiveness.

  Operating expenses decreased by EUR 228 million to EUR 5 million. Excluding divested activities, operating expenses went down by EUR 152 million. The decrease in **personnel expenses** was driven primarily by a EUR 165 million decline in the restructuring provisions from 2011 to 2012 and by the impact of divestments. **Other expenses** declined, due mainly to lower maintenance and depreciation expenses following the positive effect of the disposal of property, the abovementioned reclassification of international payment fees, lower housing costs and higher intersegment revenues, and the impact of divestments.

- **Loan impairments** moved from EUR 832 million in 2011 to a EUR 201 million impairment release for 2012. This was mainly the result of EUR 880 million impairment charges for Greek government-guaranteed corporate exposures in 2011 plus an impairment release following the sale of a tranche of those positions (EUR 125 million) in 2012.

- The number of **FTEs** fell by 569 to 7,685. The decrease in FTEs relates primarily to the integration and natural attrition.

Annex 4: Large items and divestments

Impact of large items

Full-year 2012: Several large positive items were recorded, totalling EUR 386 million net of tax. These items relate to releases from the Credit Umbrella and other EC Remedy-related provisions totalling EUR 210 million positive net of tax (EUR 215 million pre-tax), a release of Greek impairments of EUR 94 million net of tax (EUR 125 million pre-tax) and Madoff-related releases (EUR 75 million net of tax). The remainder was attributable to a release of a provision related to the sale of the Swiss Private Banking activities and small additions (in Q3[17] and Q4 2012) to the restructuring provision taken in 2011.

These large positive items were offset by a EUR 112 million negative net-of-tax impact of the Dutch bank tax. Contrary to the large items mentioned earlier, this item is of a more structural nature.

Full-year 2011: Net profit for 2011 included large items totalling EUR 646 million negative net of tax. These items include a restructuring provision (EUR 181 million pre-tax, EUR 135 million net of tax), Greek impairments (EUR 880 million pre-tax; EUR 660 million net of tax) and several positive one-offs (totalling approximately EUR 150 million net of tax in the first half of 2011).

Impact of divestments

A number of divestments were completed in 2012. The results of these entities and the transaction results are included in the financial results up to completion of sale and transfer:

- The sale of the commercial insurance broker activities for corporate clients to Aon. The insurance operations for small and medium-sized businesses were transferred to ABN AMRO Verzekeringen. ABN AMRO Verzekeringen is a joint venture between ABN AMRO Bank N.V. and Delta Lloyd Group, the latter holding 51% of the shares and ABN AMRO Bank N.V. having a 49% stake. The result of this transaction is negligible, as is its impact on different P&L line items.
- The sale of Solveon Incasso BV to Lindorff Group AB. The results of this entity and the transaction results are included in the financial results up to the completion date of the sale and transfer. The result of this transaction is negligible, as is its impact on different P&L line items.

A number of divestments were completed in 2011. The results of these entities and the transaction results are included in the financial results up to the completion date of the sale and transfer.

- The sale of Prime Fund Solutions (PFS) was completed on 2 May 2011. The sale did not materially impact earnings or regulatory capital. The results of PFS were recorded in Group Functions.
- The sale of the international division of Fortis Commercial Finance to BNP Paribas Fortis was completed on 3 October 2011. The sale led to a small book loss and did not have a material impact on earnings or on regulatory capital. The results of the international division of Fortis Commercial Finance were recorded in Commercial Banking.
- The sale of the Swiss Private Banking activities to Union Bancaire Privée, UBP SA was finalised on 31 October 2011. The sale of these activities led to a solid book gain.

17 At the publication of the 9months results, this addition was not included in the list of large items

Annex 5: Quarterly results

Quarterly underlying results								
(in millions)	*Q4 2012*	*Q3 2012*	*Q2 2012*	*Q1 2012*	*Q4 2011*	*Q3 2011*	*Q2 2011*	*Q1 2011*
Net interest income	*1,255*	*1,258*	*1,278*	*1,237*	*1,191*	*1,241*	*1,302*	*1,264*
Net fee and commission income	*382*	*386*	*385*	*403*	*415*	*423*	*486*	*487*
Other non-interest income	*77*	*167*	*235*	*275*	*239*	*175*	*290*	*281*
Operating income	1,714	1,811	1,898	1,915	1,845	1,839	2,078	2,032
Operating expenses	1,191	1,071	1,129	1,118	1,235	1,162	1,422	1,176
Operating result	**523**	**740**	**769**	**797**	**610**	**677**	**656**	**856**
Impairment charges on loans and other receivables	466	208	367	187	768	679	185	125
Operating profit before taxes	**57**	**532**	**402**	**610**	**- 158**	**- 2**	**471**	**731**
Income taxes	- 27	158	61	124	- 135	- 11	80	148
Profit for the period	**84**	**374**	**341**	**486**	**- 23**	**9**	**391**	**583**

Cautionary statement on forward-looking statements

We have included in this press release, and from time to time may make certain statements in our public filings, press releases or other public statements that may constitute “forward-looking statements” within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘should’, ‘intend’, ‘plan’, ‘probability’, ‘risk’, ‘Value-at-Risk (“VaR”)’, ‘target’, ‘goal’, ‘objective’, ‘will’, ‘endeavour’, ‘outlook’, 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO Group’s potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO Group’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO Group in particular;
- The effect on ABN AMRO Group ’s capital of write-downs in respect of credit exposures;
- Risks related to ABN AMRO Group’s merger, separation and integration process;
- General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO Group has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO Group 's performance, liquidity and financial position;
- Macro-economic and geopolitical risks;
- Reductions in ABN AMRO’s credit rating;
- Actions taken by governments and their agencies to support individual banks and the banking system;
- Monetary and interest rate policies of the European Central Bank and G-20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks and related market risk losses;
- Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- Changes in Dutch and foreign laws, regulations and taxes;
- Changes in competition and pricing environments;
- Inability to hedge certain risks economically;
- Adequacy of loss reserves and impairment allowances;
- Technological changes;
- Changes in consumer spending, investment and saving habits;
- Effective capital and liquidity management; and
- The success of ABN AMRO Group in managing the risks involved in the foregoing.

The forward-looking statements made in this press release are only applicable as at the date of publication of this document. ABN AMRO Group does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO Group does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO Group may make in ABN AMRO Group’s reports.