ABN·AMRO

## IR / Press Release

**Amsterdam, 24 August 2012**

# ABN AMRO reports underlying net profit of EUR 827 million for H1 2012 and EUR 341 million for Q2 2012

- **Underlying net profit for H1 2012, excluding integration and separation-related expenses, declined to EUR 827 million (from EUR 974 million for H1 2011) due to higher impairment charges**
- **The underlying operating result for H1 2012 increased by 4% and the underlying cost/income ratio improved to 59% from 63% in H1 2011**
- **Underlying net profit for Q2 2012 decreased to EUR 341 million (from EUR 486 million for Q1 2012) as impairment charges almost doubled**
- **Reported net profit for Q2 2012 was EUR 289 million and EUR 743 million for H1 2012**
- **At 30 June 2012, the Core Tier 1 ratio improved to 11.9%. The Tier 1 ratio and total capital ratio were slightly lower at 12.7% and 16.2% respectively**
- **The remaining client-related integration activities are expected to be finalised by the end of this year**

Gerrit Zalm, Chairman of ABN AMRO Group, comments:

*"The operating environment in the first half of 2012 remained challenging, as anticipated. The recession, which started in the second half of 2011, continues to impact the Dutch economy. This is reflected in a sharp increase in the number of business failures compared with the first six months of 2011 and in the unemployment rate, which although still relatively low, has increased over the past three quarters.*

*The bank realised a satisfactory result for the first six months of 2012 in this difficult operating environment which predominantly affected the Dutch activities. The contribution of the international activities remained unchanged compared to last year. Underlying net profit was EUR 827 million, 15% lower than the first six months of 2011. A modest improvement in the operating result was more than offset by a rise in loan impairments in most of our activities. Cost containment and integration benefits contributed to an improved cost/income ratio of 59%. The Core Tier 1 capital position increased significantly following the settlement reached with Ageas. A Tier 2 transaction was executed in July 2012, to further enhance the Tier 2 and total capital position ahead of Basel III implementation. Including this transaction, a total of EUR 14.6 billion of long-term funding has been issued year-to-date, with all long-term funding maturing in 2012 already refinanced by last April.*

*The bank continues to invest and to improve its leading retail banking position, with an intensified focus on mobile and internet banking. Our upgraded client portal has been well received and monthly mobile banking transactions have overtaken internet banking transactions for the first time, testifying to an ongoing shift in client behaviour.*

*For the remainder of 2012 we expect markets to remain subdued, loan impairments to increase further, and banking tax to have a significant impact (approximately EUR 100 million). As before, our main focus will be on our clients, the quality of our services, cost containment, asset quality and the final elements of the integration process."*

## Income statement

ABN AMRO Group's reported net profit in the first half of 2012 amounted to EUR 743 million and included separation and integration-related costs of EUR 84 million net of tax. The underlying net profit, which excludes these costs, was EUR 827 million.

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

## First half 2012 compared with first half 2011

| Underlying results | | | |
|---|---|---|---|
| *(in millions)* | ***H1 2012*** | ***H1 2011*** | ***Change*** |
| *Net interest income* | *2,515* | *2,566* | *-2%* |
| *Net fee and commission income* | *788* | *973* | *-19%* |
| *Other non-interest income* | *510* | *571* | *-11%* |
| Operating income | 3,813 | 4,110 | -7% |
| *Personnel expenses* | *1,154* | *1,414* | *-18%* |
| *Other expenses* | *1,093* | *1,184* | *-8%* |
| Operating expenses | 2,247 | 2,598 | -14% |
| **Operating result** | **1,566** | **1,512** | **4%** |
| Impairment charges on loans and other receivables | 554 | 310 | 79% |
| **Operating profit before taxes** | **1,012** | **1,202** | **-16%** |
| Income tax expenses | 185 | 228 | -19% |
| **Profit for the period** | **827** | **974** | **-15%** |

| Other indicators | | |
|---|---|---|
| | ***H1 2012*** | ***H1 2011*** |
| Underlying cost/income ratio | 59% | 63% |
| Return on average equity | 14% | 16% |
| Return on average risk-weighted assets (in bp) | 135 | 174 |
| Net interest income / average total assets (in bp) | 122 | 133 |
| Cost of risk (in bp) | 90 | 55 |
| FTE (end of period)* | 23,863 | 24,225 |

** 2011 figure is per 31 December*

Divestments influenced the year-on-year developments in both operating income and expenses, but had only a small impact on the development of net profit.

The decline in underlying net profit was the result of higher impairment charges on loans and other receivables. Releases from the credit umbrella[1] and other EC Remedy-related provisions totalling EUR 129 million net of tax in H1 2012 partly mitigated this decline. Further details on the large items and divestments are included in Annex 4.

- Compared to the first half of 2011, **operating income** decreased by 7% to EUR 3,813 million. Excluding divestments, it decreased by 4%.

  **Net interest income** declined by 2%. Although competition in the Dutch savings market eased somewhat in the second quarter of 2012, margins on savings remained under pressure. Lower margins were partly offset by higher volumes as customer deposits increased by EUR 7.9 billion in the first six months of 2012. In addition, funding costs increased as the maturity profile was further lengthened. The decline in net interest income was partly offset by the following developments: improvement of

[1] 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

margins on part of mortgage portfolio; the ECT loan book (LC&MB) grew compared to the same period a year ago; and securities-financing volumes (Markets) were also higher. Divestments had a marginal negative impact on net interest income. **Net fee and commission income** declined by 19%. Transaction volumes were lower due to market uncertainty, and 2011 included several positive large items . Declines were recorded in all business lines with the exception of Merchant Banking, which benefitted especially from higher fees and commissions in ECT. Excluding divestments, the decline in net fee and commission income would have been 12%. **Other non-interest income** was 11% lower compared to the first half of 2011, due to a combination of less favourable Credit Valuation Adjustments[2] (CVA) and lower results related to hedge accounting ineffectiveness. Excluding divestments, the decline in other income would have been 9%. Releases from the credit umbrella and other EC Remedy-related provisions in the first half of 2012 partially offset this decline.

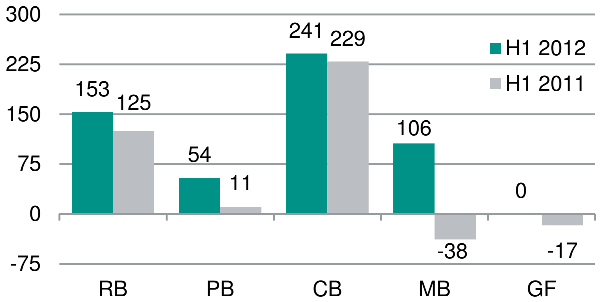
From total operating income 83% was generated in the Netherlands, 11% in the rest of Europe and 6% in the rest of the world.

- **Operating expenses** decreased by 14% or EUR 263 million. Excluding a EUR 200 million restructuring charge taken in H1 2011 and the impact of divestments, operating expenses were largely unchanged. The positive effect of reclassifications (please refer to Commercial Banking in Annex 3 for further details) was offset by increased operational losses resulting from cybercrime and several smaller cost increases, including additions to legal and other provisions.

- There was a modest increase in **operating result** to EUR 1,566 million and the **cost/income ratio** improved by 4 percentage points to 59%.

- **Impairment charges on loans and other receivables** increased by EUR 244 million, as the economic downturn led to higher impairment charges especially in the sectors construction, (commercial) real estate and retail. Impairment charges on mortgages increased from 8bp to 11bp (over total mortgage book), following a decline in house prices and lower auction revenues. Consumer loans also showed a small increase in impairment charges, while impairment charges on SME loans remained at elevated levels. Total impairment charges over average RWA ('cost of risk') were 90bp in H1 2012, up from 55bp in H1 2011.

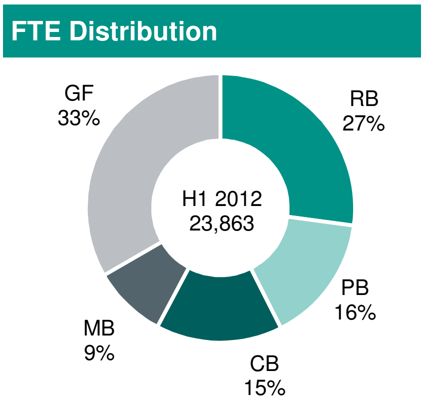
**Impairment charges by business line** (in EUR m)

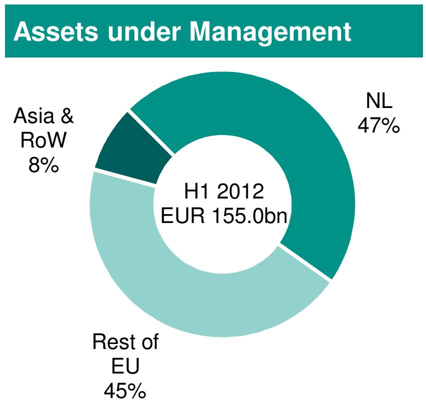



- The underlying effective **tax rate** for the first half of 2012 decreased slightly from 19% to 18%.

- The number of full-time equivalents excluding temporary staff (**FTEs**) fell by 362 compared with year-end 2011, largely resulting from progress on integration within Group Functions and further optimisation of the branch network. The number of FTEs declined in Retail Banking (217), Private Banking (48) and Group Functions (298), partly offset by an increase in FTEs in Commercial Banking (76) and Merchant Banking (125). The increase in Merchant Banking is due to the expansion of the foreign activities and the strengthening of certain product capabilities.

[2] Market value adjustments for counterparty credit risk

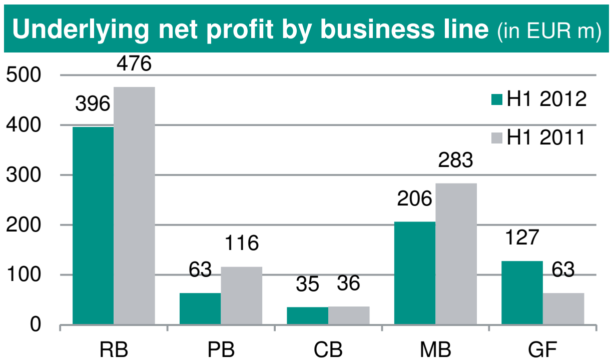



- In the first six months of 2012, Assets under Management (**AuM**) grew by EUR 8.4 billion to EUR 155.0 billion. Approximately three quarters of the increase relates to market performance, with the remainder attributable to an increase in net new assets, predominantly in deposits.

## Results by segments

Further segment reporting is given in Annex 3 for Retail Banking, Private Banking, Commercial Banking, Merchant Banking and Group Functions.




**Retail Banking** posted a net profit of EUR 396 million, down from EUR 476 million in the first half of 2011, due to lower operating income caused by margin pressure on savings products and higher impairment charges.

**Private Banking** made a profit of EUR 63 million, down from EUR 116 million in H1 2011. The decline reflected lower net fees and commissions and higher impairment charges.

**Commercial Banking** realised a net profit of EUR 35 million, virtually unchanged from the first half of 2011. The level of impairment charges remained elevated, especially for SMEs.

**Merchant Banking** posted a net profit of EUR 206 million, down from EUR 283 million in H1 2011. A strong improvement in the operating result was more than offset by higher impairment charges.

**Group Functions** realised a net profit of EUR 127 million compared to a profit of EUR 63 million in the first half of 2011. Operating income was down, but this was more than offset by lower operating expenses, as H1 2011 included a large restructuring provision.

## Second quarter 2012 compared to first quarter 2012

Reported net profit amounted to EUR 289 million in the second quarter and included separation and integration-related costs of EUR 52 million net of tax. The underlying net profit, which excludes these costs, was EUR 341 million.

| Underlying results | | | |
|---|---|---|---|
| *(in millions)* | *Q2 2012* | *Q1 2012* | *Change* |
| *Net interest income* | *1,278* | *1,237* | *3%* |
| *Net fee and commission income* | *385* | *403* | *-4%* |
| *Other non-interest income* | *235* | *275* | *-15%* |
| Operating income | 1,898 | 1,915 | -1% |
| *Personnel expenses* | *584* | *570* | *2%* |
| *Other expenses* | *545* | *548* | *-1%* |
| Operating expenses | 1,129 | 1,118 | 1% |
| **Operating result** | **769** | **797** | **-4%** |
| Impairment charges on loans and other receivables | 367 | 187 | 96% |
| **Operating profit before taxes** | **402** | **610** | **-34%** |
| Income tax expenses | 61 | 124 | -51% |
| **Profit for the period** | **341** | **486** | **-30%** |

| Other indicators | | | |
|---|---|---|---|
| | *Q2 2012* | *Q1 2012* | |
| Underlying cost/income ratio | 59% | 58% | |
| Return on average equity | 11% | 17% | |
| Return on average risk-weighted assets (in bp) | 111 | 160 | |
| Net interest income / average total assets (in bp) | 122 | 122 | |
| Cost of risk (in bp) | 119 | 61 | |
| | *30 Jun 2012* | *31 Mar 2012* | *Change* |
| Risk-weighted assets / total assets | 30% | 30% | |
| Assets under Management (in billions) | 155.0 | 155.5 | 0% |
| Risk-weighted assets (in billions) | 124.4 | 121.1 | 3% |
| FTEs | 23,863 | 23,997 | -1% |

Underlying net profit in the second quarter of 2012 declined by EUR 145 million from EUR 486 million in the first quarter, primarily driven by significantly higher impairment charges in both Commercial and Merchant Banking. Both quarters included releases from the credit umbrella and other EC Remedy-related provisions, of which EUR 48 million net of tax was recorded in Q1 2012 and EUR 81 million net of tax in Q2 2012.

- **Operating income** was virtually stable compared with Q1 2012 at EUR 1,898 million.

  **Net interest income** went up by 3% due mainly to a higher mismatch result and an increase in the commercial loan portfolio. Even though savings deposits in Retail and Private Banking saw a significant increase (EUR 7.7 billion in total), savings margins were under pressure. **Net fee and commission income** decreased by 4%, primarily as a result of lower transaction volumes. **Other non-interest income** declined by 15% or EUR 40 million, mainly because of lower results related to hedge accounting ineffectiveness and CVAs. This was partly offset by higher releases from the credit umbrella and other EC Remedy-related provisions and higher results from participations.

- **Operating expenses** increased by 1%. The initial accrual of EUR 13 million of Dutch banking tax[3] in Q1 was reversed in Q2. Personnel expenses rose 2% due to regular wage increases, whereas other expenses were 1% lower in Q2, despite higher costs for cybercrime.

- The **operating result** declined by 4% to EUR 769 million and the **cost/income** ratio was 59% compared to 58% in Q1 2012.

- **Impairment charges on loans and other receivables** increased to EUR 367 million from a first-quarter level of EUR 187 million. The increase occurred mainly within Commercial Banking, as well as in Merchant Banking, as significantly higher impairment and IBNI charges were recorded for amongst others the construction, commercial real estate and public sector. Impairment charges within Commercial & Merchant Banking are expected to remain high this year. The impairment charges for mortgages increased slightly quarter-on-quarter.

- The underlying **effective tax rate** for the second quarter of 2012 fell from 20% to 15%, mainly as a result of an increase in exempt gains compared to Q1.

Retail Banking contributed EUR 195 million (down from EUR 201 million), Private Banking EUR 8 million (down from EUR 55 million), Merchant Banking EUR 71 million (down from EUR 135 million) and Group Functions EUR 80 million (up from EUR 47 million). Commercial Banking reported a loss of EUR 10 million (down from a profit of EUR 45 million).

[3] ABN AMRO expects the Dutch Banking Tax to come into force later this year with retroactive effect. The negative impact of this on profitability is expected to be approximately EUR 100 million net of tax and is likely to be recorded in Q4 of 2012.

## Balance sheet

| Condensed consolidated statement of financial position | | |
|---|---|---|
| *(in millions)* | *30 Jun 2012* | *31 Dec 2011* |
| Cash and balances at central banks | 13,928 | 7,641 |
| Financial assets held for trading | 32,429 | 29,523 |
| Financial investments | 18,555 | 18,721 |
| Loans and receivables - banks | 51,269 | 61,319 |
| *Of which securities financing activities* | *28,107* | *27,825* |
| Loans and receivables - customers | 288,069 | 272,008 |
| *Of which securities financing activities* | *25,687* | *16,449* |
| Other | 17,055 | 15,470 |
| **Total assets** | **421,305** | **404,682** |
| | | |
| Financial liabilities held for trading | 23,925 | 22,779 |
| Due to banks | 31,160 | 30,962 |
| *Of which securities financing activities* | *11,994* | *12,629* |
| Due to customers | 229,357 | 213,616 |
| *Of which securities financing activities* | *33,434* | *25,394* |
| Issued debt | 94,617 | 96,310 |
| Subordinated liabilities | 6,789 | 8,697 |
| Other | 21,915 | 20,898 |
| **Total liabilities** | **407,763** | **393,262** |
| Equity attributable to the owners of the parent company | 13,524 | 11,400 |
| Equity attributable to non-controlling interests | 18 | 20 |
| **Total equity** | **13,542** | **11,420** |
| **Total liabilities and equity** | **421,305** | **404,682** |

**Main developments in total assets**
Total assets grew by EUR 16.6 billion to EUR 421.3 billion at 30 June 2012. The increase was due mainly to an increase in securities financing client volumes, growth in the commercial loan book and fair value changes of interest rate derivatives.

**Cash and balances at central banks** rose by EUR 6.3 billion, predominantly as a result of an increase in overnight deposits placed at DNB.

**Financial assets held for trading** increased by EUR 2.9 billion, due mainly to a significant shift in the interest curve resulting in fair value changes of interest-rate derivatives. A similar change was recorded in derivative positions included in financial liabilities held for trading.

**Loans and receivables – banks** decreased by EUR 10.1 billion, due mainly to lower term deposits at (central) banks. This was partly offset by higher collateral requirements for the derivative positions.

**Loans and receivables – customers** increased by EUR 16.1 billion to EUR 288.1 billion. The increase was largely due to growth in securities financing volumes with professional counterparties. Excluding securities financing, the loan portfolio increased by EUR 6.8 billion, predominantly due to growth in Merchant Banking. The mortgage portfolio was stable at EUR 155.4 billion even though ABN AMRO's market share of new mortgage production rose to over 20%[4] in the first six months of 2012.

[4] Source: Dutch Land Registry Office (www.kadaster.nl)

| Loans and receivables – customers | | |
|---|---|---|
| *(in millions)* | ***30 Jun 2012*** | ***31 Dec 2011*** |
| **Loans and receivables - customers other (incl. impairments)** | **262,382** | **255,559** |
| *R&PB* | 179,123 | 178,507 |
| *C&MB* | 78,207 | 72,075 |
| *Group Functions* | 5,052 | 4,977 |
| **Securities financing activities** | **25,687** | **16,449** |
| **Total loans and receivables – customers** | **288,069** | **272,008** |

**Main developments in total liabilities**
Total liabilities were up EUR 14.5 billion to EUR 407.8 billion, due mainly to a large increase in Due to customers.

**Financial liabilities held for trading** increased by EUR 1.1 billion, due mainly to a significant shift in the interest curve resulting in fair value changes of interest-rate derivatives offset by a decrease in the short positions.

**Due to customers** increased by EUR 15.7 billion to EUR 229.4 billion. The increase was linked for a large part to growth in both securities financing volumes (EUR 8.0 billion) and total deposits (EUR 7.9 billion). The largest inflow was seen in Retail (EUR 4.1 billion) as well as Private Banking (EUR 3.2 billion) due mainly to the payment of holiday allowances and the successful roll-out of MoneYou in Germany.

| Due to customers | | |
|---|---|---|
| *(in millions)* | ***30 Jun 2012*** | ***31 Dec 2011*** |
| **Total deposits** | **195,673** | **187,797** |
| *R&PB* | 133,602 | 126,279 |
| *C&MB* | 58,523 | 54,855 |
| *Group Functions* | 3,548 | 6,663 |
| **Other (incl. securities financing activities)** | **33,684** | **25,819** |
| **Total due to customers** | **229,357** | **213,616** |

**Issued debt** decreased by EUR 1.7 billion to EUR 94.6 billion. The decrease was due mainly to lower use of short-term funding (CP/CD), while newly issued long-term funding exceeded the redeemed long-term funding in the first half of 2012.

**Subordinated liabilities** showed a decrease of EUR 1.9 billion to EUR 6.8 billion, mainly resulting from the settlement of the legal disputes with Ageas, which resulted in the cancellation of the EUR 2.0 billion liability resulting from the conversion of Mandatory Convertible Securities (MCS).

**Total equity** increased by EUR 2.1 billion, driven primarily by an increase of EUR 1.6 billion in equity following the settlement of the abovementioned legal disputes and EUR 0.7 billion of reported net profit.

## Capital position

At 30 June 2012, the Basel II Core Tier 1 ratio improved to 11.9%. The Tier 1 and total capital ratios were 12.7% and 16.2% respectively.

### Regulatory capital Basel II

| *(in millions)* | *30 Jun 2012* | *31 Dec 2011* |
|---|---|---|
| **Total equity (IFRS)** | **13,542** | **11,420** |
| Participations in financial institutions | - 304 | - 299 |
| Other regulatory adjustments | 1,504 | 1,484 |
| **Core Tier 1 capital** | **14,742** | **12,605** |
| Non-innovative hybrid capital instruments | - | 1,750 |
| Innovative hybrid capital instruments | 993 | 994 |
| **Tier 1 capital** | **15,735** | **15,349** |
| Subordinated debt (Tier 2) | 4,769 | 4,887 |
| Participations in financial institutions | - 304 | - 299 |
| Other regulatory adjustments | - 34 | - 80 |
| **Total capital** | **20,166** | **19,857** |
| | | |
| **Risk-weighted assets** | **124,380** | **118,286** |
| Credit risk RWA | 101,605 | 101,609 |
| Operational risk RWA | 15,461 | 13,010 |
| Market risk RWA | 7,314 | 3,667 |
| | | |
| **Core Tier 1 ratio** | **11.9%** | **10.7%** |
| **Tier 1 ratio** | **12.7%** | **13.0%** |
| **Total capital ratio** | **16.2%** | **16.8%** |

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

### Main changes in the regulatory capital position

ABN AMRO and Ageas agreed in June to settle all outstanding legal disputes[5]. As part of the agreement, ABN AMRO made a one-off cash payment of EUR 400 million to Ageas. Of the EUR 2 billion MCS liability, which was previously retained in the balance sheet, of which EUR 1.75 billion qualified as Tier 1 capital. As a result of this settlement, core Tier 1 capital increased by EUR 1.6 billion, while Tier 1 capital (and consequently) total capital decreased by EUR 150 million.

The net reported profit attributable to shareholders in the first half of 2012 amounted to EUR 745 million, of which 60%, i.e. EUR 447 million, is included in core Tier 1 capital. The capital position is calculated in accordance with the dividend policy, which aims to pay out 40% of reported net profit. Management considered it prudent, given the current economic climate and the pending introduction of Basel III, not to distribute an interim dividend in 2012.

Increases in **Credit risk RWA** caused by business growth (EUR 3.5 billion) and the application of the standardised approach for part of the large corporate portfolio (EUR 3.8 billion) were mainly offset by the release of an RWA add-on following the completion of the IT migration at the end of 2011 (EUR 4.8 billion). **Operational risk RWA** and **Market risk RWA** increased primarily awaiting the transition from the standardised to the advanced approach.

[5] Including the disputes regarding the Mandatory Convertible Securities (MCS) and ABN AMRO Capital Finance Ltd (formerly Fortis Capital Company Ltd.). Please refer to the press release of 28 June 2012 and note 14 in the Condensed Consolidated Interim Financial Statement 2012 for more details.

**Basel III / CRD IV**

The implementation of Basel III in CRD IV (a European regulatory framework) translates Basel II-based capital ratios into lower ones. 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 30 June 2012 would result in a phased-in Common Equity Tier 1 (CET1) ratio of 10.8%, above ABN AMRO's targeted CET1 ratio of at least 10% as from 2013. The fully-loaded CET 1 ratio (which excludes transitional arrangements for capital instruments) would be 9.3%.

| **Regulatory capital Basel III** based on 30 June 2012 actuals | | | |
|---|---|---|---|
| | ***Basel II*** | ***Basel III phase-in 2013*** | ***Basel III full phase-in 2013**** |
| Core Tier 1 / Common Equity Tier 1 ratio | 11.9% | 10.8% | 9.4% |
| Tier 1 ratio | 12.7% | 11.5% | 10.1% |
| Total capital ratio | 16.2% | 13.1% | 11.7% |

* *Full phase-in rules include transitional arrangements for capital instruments.*

Basel III further proposes a leverage ratio of at least 3% by 2018. The calculation has been adjusted according to a refinement in regulatory guidance of the interpretation of the draft rules. Based on this revised calculation, ABN AMRO's leverage ratio was 3.1% at 30 June 2012 (unchanged from 3.1%[6] at year-end 2011), using current Basel II Tier 1 capital as a basis.

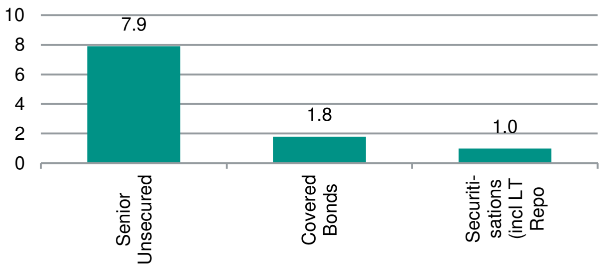
**Impact of amendment in IAS 19**

The European Commission has endorsed the amendments to IAS 19. These new rules for the recognition of Employee Benefits are effective for periods beginning on or after 1 January 2013. The potential impact of early adoption has been calculated for transparency purposes. If implemented in 2012, the amendment to IAS 19 would have strengthened total equity by EUR 0.5 billion (net of tax) as per 30 June 2012. The amendment to IAS 19 Employee Benefits does not affect CET1 capital under fully-loaded Basel III rules as long as the funded status remains positive (i.e. assets exceed liabilities). Under Basel III phase-in rules, if a net pension asset exists, the positive effect of this pension asset is expected to reduce gradually to zero over a five-year period beginning 2013. A defined-benefit pension fund liability (assets below liabilities) is recognised directly in CET1. The impact of the amendment to IAS 19 on total equity is expected to be highly volatile as it depends on the discount rate.

## Liquidity Management & Funding

Most of the funding is raised through savings and deposits from R&PB and C&MB clients. The volatility in wholesale funding markets has increased competition for savings and deposits, putting pressure on savings margins. At 30 June 2012, total customer deposits had grown by EUR 7.9 billion from a level of EUR 187.8 billion at year-end 2011, due mainly to higher deposit levels among retail and private banking clients and commercial banking clients.

**Issued funding H1 2012** (in EUR bn)




All long-term wholesale funding maturing in 2012 was refinanced by April 2012. Funding raised after that date will be used primarily to pre-finance part of the 2013 funding requirement. In the first half of 2012, EUR 10.7 billion was issued in total in several benchmark transactions and private placements in all major currencies and a variety of maturities.

Of the total amount issued in the first half of 2012, 74% was in Senior Unsecured Bonds, 17% in Covered Bonds and 9% in LT repos. The average original maturity of the newly issued funding in the first half of 2012 was approximately 6.2 years, which increases the average outstanding maturity of the long-term funding to 4.1 years. A further EUR 3.9 billion was issued in July and August, including EUR 1 billion in 10-year subordinated notes.

[6] The leverage ratio differs from the leverage ratio as reported in the Annual Report 2011

| Liquidity parameters | | |
|---|---|---|
| | *30 Jun 2012* | *31 Dec 2011* |
| Loan-to-deposit ratio | 129% | 130% |
| Available Liquidity buffer (in billions) | 52.6 | 58.5 |

The loan-to-deposit ratio improved to 129% on 30 June 2012, down from 130% at year-end 2011, due to growing deposit levels (especially in Retail as well as Private Banking), which were partly offset by increases in predominantly commercial loans.

A liquidity buffer of unencumbered assets has been retained as a safety cushion in the event of severe liquidity stress. The liquidity buffer was reduced to EUR 52.6 billion from the elevated levels at year-end 2011 mainly by decreasing the cash component. The absolute amounts of the other components of the liquidity buffer remained virtually unchanged.

Following a recalculation whereby certain assets were excluded and strict stress scenarios were applied, regulatory liquidity reporting amounted to EUR 7 billion as per 31 December 2011, rather than the EUR 25 billion reported in the Annual Report 2011 (p. 118). Although the figure was lower, regulatory liquidity remained above the minimum requirement. Regulatory liquidity serves as input for the calculation of the LCR, and this ratio was therefore also recalculated, resulting in a revised LCR of 57% as per 31 December 2011.

In addition, the methodology for calculating the survival period has been improved, resulting in a better representation of the sensitivities in the balance sheet. The recalculated survival period at 31 December 2011 was >11 months rather than >365 days as reported in the Annual Report 2011 (p. 119).

## Credit ratings

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

| Credit ratings ABN AMRO Bank NV | | | | |
|---|---|---|---|---|
| *Rating agency* | *Long term* | *Outlook* | *Short term* | *Rating Change* |
| DBRS | A$^{high}$ | Stable | R-1$^{middle}$ | Unchanged |
| Fitch Ratings | A+ | Stable | F1+ | Unchanged |
| Moody's | A2 | Stable | P-1 | 15 June 2012 |
| S&P | A+ | Negative | A-1 | Unchanged |

In January 2012, S&P adjusted its credit rating outlook for ABN AMRO to negative following the outlook change for the Dutch State in January 2012.

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

## Risk management

ABN AMRO recorded a modest increase in the impaired portfolio in the first half of 2012 (EUR 0.1 billion) to EUR 8.7 billion at 30 June 2012). Impairment charges have, however, increased year on year reflecting deteriorating economic circumstances in the Netherlands and abroad. Lower investments and lower consumer confidence are affecting the SME market, as indicated by the increase in impairment charges as from H2 2011 in Commercial Banking. The coverage ratio for the total on balance sheet credit risk exposure decreased slightly to 59.6% on 30 June 2012 compared to 60.5% at year-end 2011.

### Dutch housing market, mortgages and consumer lending

The Dutch housing market continued to slow down in 2012, with further declines seen in housing prices. Uncertainty regarding the future application of the tax deductibility of mortgage interest payments is still affecting the housing market negatively. The residential mortgage portfolio remained stable at EUR 155.4 billion. New mortgage production was EUR 6 billion, of which roughly 55% was guaranteed by a Dutch government agency (NHG). The average indexed loan to market value (LtMV) of the residential mortgage portfolio was 79% at 30 June 2012 (77% on 31 December 2011). NHG mortgages were 22% of the total mortgage portfolio.

The past due portfolio of residential mortgages decreased by EUR 145 million in the first half of 2012, due mainly to subdued inflow of past due files. In addition, extra measures (including ceilings on mortgage levels and more specific client support) were taken to mitigate increased risk. As a result, inflow in the past due portfolio resumed to normal, pre-crisis, levels.

The impaired ratio for residential mortgages remained unchanged compared to year-end 2011 at 0.9%. There was a slight increase in the impaired portfolio as the current economic circumstances have led, amongst other things, to higher unemployment. A further increase in the unemployment levels in the Netherlands could however lead to higher impairment charges.

The consumer loan portfolio, which remained stable at EUR 16.3 billion at 30 June 2012, saw a marginal increase in the impaired portfolio. The latter stood at EUR 0.5 billion at 30 June 2012.

**Commercial loans**

Impairment charges on commercial loans increased year-on-year due to the decline in collateral values, such as premises and equipment pledged as security by borrowers. The deterioration is visible across the board in the commercial loan book, but especially in the construction, retail and (commercial) real estate sectors.

Past due portfolio (including >90 days past due) of unimpaired commercial loans decreased from EUR 1.1 billion to EUR 0.8 billion at 30 June 2012 as a result of tightened control of credit files. The impaired portfolio of commercial loans remained unchanged at EUR 6.7 billion. The coverage ratio for the total commercial loan portfolio decreased slightly to 69.1% on 30 June 2012 compared to 69.8% at year-end 2011.

At 30 June 2012, the EAD of the real estate exposures, including both commercial real estate and real estate for clients' own use, amounted to EUR 9.8 billion, an increase of 3.2% compared to year-end 2011, mainly recorded in Commercial Banking. The majority of the commercial real estate exposures consist predominantly of investments in Dutch property and are related to professional clients in Merchant Banking, Commercial Banking (including public sectors) and Private Banking. Exposures to office investments as well as land banks are limited.

In response to the negative outlook in the Dutch real estate sector ABN AMRO has conducted an in-depth screening of individual commercial real estate exposures. The screening assessed both the quality of the assets and the credit quality of the borrower and included an analysis of loan to value as well as interest and principal repayment capacity. A EUR 44 million loan impairment charge for Incurred But Not Identified (IBNI) was recorded for all high risk rated real estate exposures. Consequently, the ratio of impairment charges over EAD in the real estate portfolio increased to 6.7% from 5.3% at year-end 2011. Management has acted to tighten commercial real estate loan approval policies and has increased the focus on management of the current portfolio.

The ECT total loan portfolio comprised roughly 4% of the total loan book at 30 June 2012. Half of the ECT loan portfolio consisted of Commodities. The other half comprised Transportation (1/3), and Energy (1/6). The off-balance sheet credit facilities relate mainly to clients in the Commodities sector and amounted to around 20% of the total ABN AMRO off-balance exposure.

The Commodities off-balance sheet facilities and guarantees increased during the first half of 2012. These are characterised by short-term, largely uncommitted credit facilities. The Commodities loan portfolio increased slightly and impairment allowances remained at low levels.

The Transportation 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 box industry. The majority of the portfolio has been originated as from 2008, in a relatively low asset value environment. In the first half of 2012, the Transportation portfolio increased slightly partially due to the strengthening of the US dollar. Despite challenging markets in certain parts of the shipping industry, in particular the tanker and dry cargo markets, impairment charges remained subdued.

The Energy portfolio includes a diversified customer base in the oil and gas, and off-shore services industries and is typically characterised by long-term contracts provided with large oil companies. Impairment allowances in the Energy portfolio remained negligible in the first half of 2012.

**European Exposures**

At 30 June 2012, the credit exposure (based on EAD) was concentrated in the Netherlands (79%) and in the rest of Europe (13%), mainly the UK and France. The majority of the credit exposure in the rest of Europe was concentrated in Corporates 51%, with 29% in Institutions and 20% in Central Governments and Central Banks. Government exposures to Italy and Spain remained unchanged at EUR 0.3 billion and EUR 0.1 billion respectively. There were no material exposures to Italian and Spanish institutions and corporates. Greek government-guaranteed exposures amounted to EUR 0.4 billion after impairment charges (gross EUR 1.2 billion) at 30 June 2012.

## Integration

Most integration projects have now been successfully completed. The remaining client-related integration activities, which are much smaller in size, are on track and are expected to be finalised in 2012 as planned and within the original overall budget of EUR 1.6 billion. Pre-tax integration costs in the first half of 2012 amounted to EUR 111 million (EUR 84 million net of tax), bringing total integration costs to the end of June 2012 to EUR 1.3 billion. Integration synergies accounted for approximately EUR 0.8 billion at the end of the first half of 2012 and are expected to reach the synergy target of EUR 1.1 billion per year as from 1 January 2013.

## Update since 1 July 2012

The sale and transfer to Aon of the commercial insurance broker activities for corporate clients was completed on 2 July 2012. The insurance operations for small and medium-sized businesses were simultaneously transferred to ABN AMRO Verzekeringen.

On 6 July 2012, ABN AMRO issued EUR 1 billion in 10-year subordinated notes. These notes will enhance the total capital base under Basel II in the third quarter and are expected to qualify under the CRD IV transitional regime as of January 2013. Full eligibility depends on the future implementation of CMD into Dutch rules and regulations.

On 13 July 2012, ABN AMRO, Fortis Bank Nederland Pension Fund and ABN AMRO Bank Pension Fund signed an agreement to merge the two pension funds. All accrued rights included in Fortis Bank Nederland Pension Fund will transfer to ABN AMRO Bank Pension Fund. ABN AMRO is facilitating the merger with certain compensation payments to ensure that the accrued rights will not deteriorate. The costs related to the transfer of the investment portfolio are also for the account of ABN AMRO. Additionally ABN AMRO has safeguarded both pension funds against the negative impact the merger might have. Total costs are currently estimated at around EUR 175 million and are part of the overall EUR 1.6 billion budget for integration costs. The merger is subject to DNB approval and to certain closing conditions, including a due diligence. The merger is anticipated for 1 January 2013.

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# Annex 1: Reported Consolidated Income Statement

## Reported results

| *(in millions)* | *H1 2012* | *H1 2011* | *Change* |
|---|---|---|---|
| *Interest income* | *6,870* | *6,903* | *0%* |
| *Interest expense* | *4,355* | *4,337* | *0%* |
| *Net interest income* | *2,515* | *2,566* | *-2%* |
| *Fee and commission income* | *1,308* | *1,315* | *-1%* |
| *Fee and commission expense* | *520* | *342* | *52%* |
| *Net fee and commission income* | *788* | *973* | *-19%* |
| *Net trading income* | *207* | *119* | *74%* |
| *Results from financial transactions* | *48* | *269* | *-82%* |
| *Share of result in equity accounted investments* | *33* | *46* | *-28%* |
| *Other income* | *222* | *137* | *62%* |
| Operating income | 3,813 | 4,110 | -7% |
| *Personnel expenses* | *1,139* | *1,388* | *-18%* |
| *General and administrative expenses* | *1,089* | *1,172* | *-7%* |
| *Depreciation and amortisation of tangible and intangible assets* | *131* | *184* | *-29%* |
| Operating expenses | 2,359 | 2,744 | -14% |
| **Operating result** | **1,454** | **1,366** | **6%** |
| Impairment charges on loans and other receivables | 554 | 310 | 79% |
| **Operating profit before taxes** | **900** | **1,056** | **-15%** |
| Income tax expenses | 157 | 192 | -18% |
| **Profit for the period** | **743** | **864** | **-14%** |
| *Attributable to:* | | | |
| *Owners of the company* | *745* | *856* | |
| *Non-controlling interests* | *- 2* | *8* | |
| **Reported cost/income ratio** | **62%** | **67%** | |

## 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.[7] 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)* | ***H1 2012*** | ***H1 2011*** | ***H1 2012*** | ***H1 2011*** | ***H1 2012*** | ***H1 2011*** |
| *Net interest income* | *2,515* | *2,566* | *-* | *-* | *2,515* | *2,566* |
| *Net fee and commission income* | *788* | *973* | *-* | *-* | *788* | *973* |
| *Other non-interest income* | *510* | *571* | *-* | *-* | *510* | *571* |
| Operating income | 3,813 | 4,110 | - | - | 3,813 | 4,110 |
| Operating expenses | 2,359 | 2,744 | 112 | 146 | 2,247 | 2,598 |
| **Operating result** | **1,454** | **1,366** | **- 112** | **- 146** | **1,566** | **1,512** |
| Impairment charges on loans and other receivables | 554 | 310 | - | - | 554 | 310 |
| **Operating profit before taxes** | **900** | **1,056** | **- 112** | **- 146** | **1,012** | **1,202** |
| Income tax | 157 | 192 | - 28 | - 36 | 185 | 228 |
| **Profit for the period** | **743** | **864** | **- 84** | **- 110** | **827** | **974** |

### Separation and integration related costs

| | *H1 2012* | | *H1 2011* | |
|---|---|---|---|---|
| *(in millions)* | ***Gross*** | ***Net*** | ***Gross*** | ***Net*** |
| *R&PB* | *12* | *9* | *13* | *10* |
| *C&MB* | *1* | *1* | *6* | *4* |
| *Group Functions (incl. restructuring provisions)* | *98* | *74* | *126* | *95* |
| **Integration costs** | **111** | **84** | **145** | **109** |
| **Separation costs** | **1** | **-** | **1** | **1** |
| **Closing EC Remedy** | **-** | **-** | **-** | **-** |
| **Total** | **112** | **84** | **146** | **110** |

[7] 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, 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)* | *H1 2012* | *H1 2011* | *Change* | *H1 2012* | *H1 2011* | *Change* | *H1 2012* | *H1 2011* |
| *Net interest income* | *1,286* | *1,337* | *-4%* | *275* | *261* | *5%* | *1,561* | *1,598* |
| *Net fee and commission income* | *231* | *248* | *-7%* | *253* | *317* | *-20%* | *484* | *565* |
| *Other non-interest income* | *13* | *22* | *-41%* | *39* | *34* | *15%* | *52* | *56* |
| Operating income | 1,530 | 1,607 | -5% | 567 | 612 | -7% | 2,097 | 2,219 |
| *Personnel expenses* | *234* | *244* | *-4%* | *218* | *242* | *-10%* | *452* | *486* |
| *Other expenses* | *616* | *608* | *1%* | *221* | *222* | *0%* | *837* | *830* |
| Operating expenses | 850 | 852 | 0% | 439 | 464 | -5% | 1,289 | 1,316 |
| **Operating result** | **680** | **755** | **-10%** | **128** | **148** | **-14%** | **808** | **903** |
| Impairment charges on loans and other receivables | 153 | 125 | 22% | 54 | 11 | | 207 | 136 |
| **Operating profit before taxes** | **527** | **630** | **-16%** | **74** | **137** | **-46%** | **601** | **767** |
| Income tax expenses | 131 | 154 | -15% | 11 | 21 | -48% | 142 | 175 |
| **Profit for the period** | **396** | **476** | **-17%** | **63** | **116** | **-46%** | **459** | **592** |

**Other indicators**

| | *Retail Banking* | | | *Private Banking* | | | *R&PB Total* | |
|---|---|---|---|---|---|---|---|---|
| | *H1 2012* | *H1 2011* | | *H1 2012* | *H1 2011* | | *H1 2012* | *H1 2011* |
| Underlying cost/income ratio | 56% | 53% | | 77% | 76% | | 61% | 59% |
| Return on average RWA (in bp) | 252 | 287 | | 88 | 169 | | 201 | 252 |
| Cost of risk (in bp) | 97 | 75 | | 75 | 16 | | 91 | 58 |
| | *30 Jun 2012* | *31 Dec 2011* | *Change* | *30 Jun 2012* | *31 Dec 2011* | *Change* | *30 Jun 2012* | *31 Dec 2011* |
| Loan-to-deposit ratio | 206% | 218% | | 28% | 28% | | 131% | 137% |
| Loans and receivables - customers (in billions) | 162.3 | 162.6 | 0% | 16.8 | 16.0 | 5% | 179.1 | 178.5 |
| *Of which mortgages* | *151.8* | *151.5* | *0%* | *3.5* | *3.6* | *-2%* | *155.3* | *155.1* |
| Due to customers (in billions) | 76.1 | 72.0 | 6% | 57.5 | 54.3 | 6% | 133.6 | 126.3 |
| RWA (in billions) | 29.4 | 32.3 | -9% | 14.0 | 13.8 | 1% | 43.4 | 46.1 |
| FTEs (end of period) | 6,463 | 6,680 | -3% | 3,698 | 3,746 | -1% | 10,161 | 10,426 |

**Retail Banking**

Retail Banking serves Mass Retail and Preferred Banking clients[8] 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 the first half of 2012 was down by EUR 80 million to EUR 396 million as a result of lower operating income and higher impairment charges.

- **Operating income** for the first half of 2012 showed a decline of EUR 77 million or 5% to EUR 1,530 million.

  **Net interest income** decreased by EUR 51 million to EUR 1,286 million, as savings revenues were under pressure. Even though average savings volumes increased significantly, margins were lower as interest rates fell compared to a year ago. The average consumer loan book increased. Margins on the mortgage book improved, even though the average size of the mortgage book was slightly lower. **Net fee and commission income** showed a EUR 17 million decrease to EUR 231 million, due to lower transaction volumes as a result of unfavourable market conditions.

- **Operating expenses** were flat compared to the same period in 2011.

  **Personnel expenses** decreased by 4% due to a lower number of FTEs as the branch network was further optimised. **Other expenses** showed a marginal increase as higher losses for cybercrime were compensated by a decrease in temporary staff expenses and intersegment costs.

- The **operating result** declined by EUR 75 million or 10%, and the **cost/income ratio** rose to 56% from 53% in the same period in 2011.

- **Impairment charges on loans and other receivables** increased by EUR 28 million to EUR 153 million. The increase in impairment charges is mainly related to the residential mortgage portfolio and to a lesser extent to consumer loans, reflecting a deterioration in the economic environment in the Netherlands compared to a year ago. The combination of increased impairment charges and a decrease in RWA pushed up the cost of risk by 22bp to 97bp.

- **Loans and receivables – customers** showed a slight decrease compared to year-end 2011 to EUR 162.3 billion. This decrease was predominantly apparent in consumer loans, as households used (part of) their holiday payments to reduce their borrowing. The residential mortgage book (more than 90% of Retail Banking´s loan book) was stable at EUR 151.8 billion.. Although the number of mortgage transactions remained at low levels, new mortgage production picked up in May and June due to an anticipated increase in the transfer tax. Gross new production in first half of 2012 was EUR 6 billion.

- **Due to customers** rose by EUR 4.1 billion to EUR 76.1 billion at 30 June 2012. The increase (recorded mainly in savings deposits) was partly attributable to holiday payments and the successful roll-out of MoneYou in Germany.

- **FTEs** in Retail Banking decreased by 217 in the first six months of 2012 to 6,463, due mainly to further optimisation of the branch network and the transfer of several Business Banking account managers to Commercial Banking.

[8] 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 International Diamond & Jewelry Group (ID&JG).

Private Banking's net profit declined by EUR 53 million to EUR 63 million as a result of lower fee levels and higher impairment charges. Divestments influenced the analysis of both operating income and expenses, but had only a small positive impact on net profit in 2011.

- **Operating income** showed a decrease of 7% to EUR 567 million. Excluding the divestment of the Swiss Private Banking activities, operating income was almost unchanged.

  **Net interest income** increased by 5% to EUR 275 million as clients switched out of investments into cash, partly offset by the divestment. **Net fee and commission income** decreased significantly by 20% due to volatile stock markets and structurally lower fee income following the divestment of the Swiss Private Banking activities. **Other non-interest income** rose by EUR 5 million to EUR 39 million as a EUR 12 million provision related to the divestment in Switzerland was released in Q1 2012.

- **Operating expenses** declined by 5% or EUR 25 million. Excluding the divestment, costs increased somewhat as a result of higher intersegment costs.

- **The operating result** fell by 14% to EUR 128 million, while the **cost/income ratio** deteriorated to 77% from 76%.

- **Impairment charges on loans and other receivables** showed a sharp increase to EUR 54 million for the first half of 2012. Impairment charges were taken for commercial real estate-linked exposures, the diamond financing activities and some legacy products.

- **Loans and receivables – customers** rose 5% to EUR 16.8 billion, due in particular to an increase in international private banking activities.

- **Due to customers** increased by EUR 3.2 billion as a result of deposit inflow, mainly in the international private banking activities, and clients switching from securities to cash.

- **Assets under Management (AuM)** increased by EUR 8.4 billion to EUR 155.0 billion as a result of improved market performance of the securities portfolios and net new assets of EUR 2.3 billion, mainly in international private banking. Net new assets comprised mainly cash.

**Assets under Management developments**

| *(in billions)* | *H1 2012* | *2011* |
|---|---|---|
| **Balance on 1 January** | **146.6** | **164.2** |
| Net new assets | 2.3 | 0.9 |
| Market performance | 6.1 | -9.3 |
| Divestments/Acquisitions | - | -5.0 |
| Other | - | -4.2 |
| **Closing balance*** | **155.0** | **146.6** |

* Closing balance 2011 is 31 December

## 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)* | *H1 2012* | *H1 2011* | *Change* | *H1 2012* | *H1 2011* | *Change* | *H1 2012* | *H1 2011* |
| *Net interest income* | *614* | *627* | *-2%* | *320* | *253* | *26%* | *934* | *880* |
| *Net fee and commission income* | *160* | *195* | *-18%* | *193* | *174* | *11%* | *353* | *369* |
| *Other non-interest income* | *10* | *45* | *-78%* | *282* | *280* | *1%* | *292* | *325* |
| Operating income | 784 | 867 | -10% | 795 | 707 | 12% | 1,579 | 1,574 |
| *Personnel expenses* | *160* | *176* | *-9%* | *155* | *139* | *12%* | *315* | *315* |
| *Other expenses* | *336* | *410* | *-18%* | *295* | *283* | *4%* | *631* | *693* |
| Operating expenses | 496 | 586 | -15% | 450 | 422 | 7% | 946 | 1,008 |
| **Operating result** | **288** | **281** | **2%** | **345** | **285** | **21%** | **633** | **566** |
| Impairment charges on loans and other receivables | 241 | 229 | 5% | 106 | - 38 | | 347 | 191 |
| **Operating profit before taxes** | **47** | **52** | **-10%** | **239** | **323** | **-26%** | **286** | **375** |
| Income tax expenses | 12 | 16 | -25% | 33 | 40 | -18% | 45 | 56 |
| **Profit for the period** | **35** | **36** | **-3%** | **206** | **283** | **-27%** | **241** | **319** |

### Other indicators

| | Commercial Banking | | | Merchant Banking | | | C&MB Total | |
|---|---|---|---|---|---|---|---|---|
| | *H1 2012* | *H1 2011* | | *H1 2012* | *H1 2011* | | *H1 2012* | *H1 2011* |
| Underlying cost/income ratio | 63% | 68% | | 57% | 60% | | 60% | 64% |
| Return on average RWA (in bp) | 26 | 27 | | 100 | 179 | | 71 | 110 |
| Cost of risk (in bp) | 177 | 172 | | 51 | - 24 | | 102 | 66 |
| | *30 Jun 2012* | *31 Dec 2011* | *Change* | *30 Jun 2012* | *31 Dec 2011* | *Change* | *30 Jun 2012* | *31 Dec 2011* |
| Loan-to-deposit ratio | 126% | 122% | | 135% | 137% | | 130% | 128% |
| Loans and receivables - customers (in billions) | 42.2 | 41.9 | 1% | 61.7 | 46.6 | 32% | 103.9 | 88.5 |
| Due to customers (in billions) | 33.0 | 34.0 | -3% | 59.2 | 46.6 | 27% | 92.2 | 80.7 |
| RWA (in billions) | 26.5 | 28.3 | -6% | 45.0 | 36.1 | 25% | 71.5 | 64.4 |
| FTEs (end of period) | 3,623 | 3,547 | 2% | 2,123 | 1,998 | 6% | 5,746 | 5,545 |

### Commercial Banking

Commercial Banking serves commercial clients with 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 continues to be impacted by high impairment charges on loans and other receivables. Net profit for the first half of 2012 amounted to EUR 35 million (compared to EUR 36 million in the first half of 2011). To align with market practice, as from 2012 lease costs are recorded in operating income (other non-interest income) and no longer in (other) operating expenses.

- **Operating income** amounted to EUR 784 million, down by EUR 83 million, due mainly to the divestment of FCF International (FCF), and the abovementioned reclassification of lease costs.

  **Net interest income** decreased by EUR 13 million to EUR 614 million. Excluding the impact of the divestment of FCF, net interest income would have increased marginally, mainly as a result of volume growth in the Corporate Clients commercial loan portfolio as well as growth of the lease portfolio. **Net fee and commission income** declined by EUR 35 million, due chiefly to the abovementioned divestment. The decrease in **other non-interest income** related predominantly to the abovementioned reclassification of lease costs from other expenses.

- **Operating expenses** declined by EUR 90 million, due mainly to the abovementioned reclassification, divestment as well as lower intersegment costs.

  **Personnel expenses** decreased by EUR 16 million to EUR 160 million, primarily as a result of the divestment of FCF. Excluding the divestment, personnel expenses increased marginally. **Other expenses** fell by EUR 74 million to EUR 336 million, largely due to the abovementioned reclassification. Excluding these effects, other expenses decreased by 3%, primarily reflecting lower intersegment costs for Business Banking.

- The **operating result** showed a marginal increase and the **cost/income ratio** improved to 63% (from 68% for the first half of 2011).

- **Impairment charges on loans and other receivables** amounted to EUR 241 million in the first half of 2012, up EUR 12 million compared to the same period in 2011. Impairment charges are still at elevated levels, with cost of risk at 177bp. The construction, retail and (commercial) real estate-related sectors are amongst those affected.

- **Loans and receivables – customers** increased by EUR 0.3 billion compared to year-end 2011 to EUR 42.2 billion, due mainly to EUR 1.3 billion volume growth in both Business Banking and Corporate Clients, offset by re-allocation of certain Markets-related product positions to Markets.

- **Due to customers** declined by 3% to EUR 33.0 billion, partly on the re-allocation of positions to Markets. Business Banking showed a decline in volume, but this was offset to some extent by growth in Corporate Clients.

- The number of **FTEs** increased by 75 to 3,623, due mainly to the internal transfer of Business Banking account managers from Retail Banking.

**Merchant Banking**

Merchant Banking serves Netherlands-based corporates, financial institutions and real estate investors as well as international companies active in Energy, Commodities & Transportation (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 the first half of 2012 amounted to EUR 206 million, down from EUR 283 million in the first half of 2011, as a result of higher impairment charges, partly offset by a higher operating result.

- **Operating income** improved by 12% or EUR 88 million compared to the first half of 2011.

  **Net interest income** increased by 26% to EUR 320 million, due mainly to higher interest income in the Markets activities. The remainder of the growth came from ECT and Clearing. **Net fee and commission income** increased by 11% to EUR 193 million, mainly reflecting growth in the ECT business which, together with Clearing, is the main source of fee income within Merchant Banking. **Other non-interest income** was EUR 282 million, in line with the previous year. However Markets sales and trading showed better results, which was offset by lower private equity results and a one-off gain last year in Clearing.

- **Operating expenses** increased by EUR 28 million to EUR 450 million, due primarily to higher staff costs.

  **Personnel expenses** rose 12% to EUR 155 million, mainly as a result of growth in foreign operations as well as the acquisition of approximately 60 merchant banking professionals from RBS N.V. **Other expenses** were up 4% to EUR 295 million, mainly reflecting higher depreciation and operational losses from cybercrime, offset by slightly lower intersegment costs.

- The **operating result** rose 21% to EUR 345 million and the **cost/income ratio** improved to 57% from 60% in the first half of 2011.

- **Impairment charges on loans and other receivables** over the first half of 2012 amounted to EUR 106 million. The same period in 2011 showed a release of EUR 38 million. No significant releases were recorded in the first half of 2012, and several impairments were recorded in the public and real estate sectors. Cost of risk increased to 51bp.

- **Loans and receivables – customers** amounted to EUR 61.7 billion, an increase of EUR 15.1 billion. Client volumes in securities financing activities increased, while growth was recorded in LC&MB's commercial loan portfolio and current accounts in Clearing. In addition to this business growth, re-allocation of certain positions from Commercial Banking to Merchant Banking (Markets) also contributed to the increase in Loans and receivables – customers.

- **Due to customers** rose EUR 12.6 billion to EUR 59.2 billion. This increase too was mainly attributable to increased client volumes in the securities-financing activities and to the re-allocation of certain positions from Commercial Banking.

- **FTEs** were up 125 to 2,123, due to growth in 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)* | *H1 2012* | *H1 2011* | *Change* |
|---|---|---|---|
| *Net interest income* | *20* | *89* | *-78%* |
| *Net fee and commission income* | *- 49* | *38* | |
| *Other non-interest income* | *166* | *190* | *-13%* |
| Operating income | 137 | 317 | -57% |
| *Personnel expenses* | *387* | *614* | *-37%* |
| *Other expenses* | *- 375* | *- 340* | *-10%* |
| Operating expenses | 12 | 274 | -96% |
| **Operating result** | **125** | **43** | |
| Impairment charges on loans and other receivables | - | - 17 | -100% |
| **Operating profit before taxes** | **125** | **60** | **108%** |
| Income tax expenses | - 2 | - 3 | 33% |
| **Profit for the period** | **127** | **63** | **102%** |

**Other indicators**

| | *30 Jun 2012* | *31 Dec 2011* | *change* |
|---|---|---|---|
| Loans and receivables - customers (in billions) | 5.1 | 5.0 | 2% |
| Due to customers (in billions) | 3.5 | 6.7 | -47% |
| Risk-weighted assets (in billions) | 9.5 | 7.8 | 22% |
| FTEs (end of period) | 7,956 | 8,254 | -4% |

The net result rose to EUR 127 million from EUR 63 million.

- **Operating income** declined by EUR 180 million, of which EUR 20 million resulted from the divestment of activities.

  **Net interest income** decreased by EUR 69 million to EUR 20 million. The decline was due mainly to increased funding costs resulting from the lengthening of the funding maturity profile. **Net fee and commission income** dropped by EUR 87 million to EUR 49 million negative. Excluding divested activities, the drop amounted to EUR 67 million. This decline mainly reflected several positive large items in the first half of 2011 and a reclassification of international payment fees from other expenses in the first half of 2012. **Other non-interest income** was down by EUR 24 million, as the positive impact of releases from the credit umbrella and other EC Remedy-related provisions was more than offset by the impact of hedge accounting ineffectiveness, the results of movements in foreign exchange and interest rates, and negative credit value adjustments.

- **Operating expenses** decreased by EUR 262 million to EUR 12 million. Excluding divested activities, operating expenses were down by EUR 219 million. The decrease in **personnel expenses** was due primarily to a restructuring provision of EUR 200 million taken in the first half of 2011, combined with lower FTE levels in the first half of 2012. Excluding divested activities, **other expenses** declined by EUR 5 million, due mainly to lower maintenance and depreciation expenses following the positive effect of the disposal of property, the abovementioned reclassification of payment fees, and higher intersegment revenues, which resulted in lower expenses in Group Functions.

- The number of FTEs fell by 298 to 7,956. The decrease in FTEs relates primarily to integration within Group Functions and natural attrition.

## Annex 4: Large items and divestments

### Impact of large items

**H1 2012**: Several positive large items were recorded, totalling EUR 141 million after tax. These relate to releases from the credit umbrella and other EC Remedy-related provisions totalling EUR 129 million net of tax, with the remainder attributable to a release of a provision related to the sale of the private bank in Switzerland.

**H1 2011**: Net profit for the first half of 2011 includes a restructuring provision of EUR 149 million after tax (EUR 200 million pre-tax), which was offset by several one-offs (totalling approximately EUR 150 million after tax).

### Impact of divestments

A number of divestments were completed during 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.

# Annex 5: Quarterly results

## Quarterly underlying results

| *(in millions)* | *Q2 2012* | *Q1 2012* | *Q4 2011* | *Q3 2011* | *Q2 2011* | *Q1 2011* |
|---|---|---|---|---|---|---|
| *Net interest income* | *1,278* | *1,237* | *1,191* | *1,241* | *1,302* | *1,264* |
| *Net fee and commission income* | *385* | *403* | *415* | *423* | *486* | *487* |
| *Other non-interest income* | *235* | *275* | *239* | *175* | *290* | *281* |
| Operating income | 1,898 | 1,915 | 1,845 | 1,839 | 2,078 | 2,032 |
| Operating expenses | 1,129 | 1,118 | 1,235 | 1,162 | 1,422 | 1,176 |
| **Operating result** | **769** | **797** | **610** | **677** | **656** | **856** |
| Impairment charges on loans and other receivables | 367 | 187 | 768 | 679 | 185 | 125 |
| **Operating profit before taxes** | **402** | **610** | **- 158** | **- 2** | **471** | **731** |
| Income taxes | 61 | 124 | - 135 | - 11 | 80 | 148 |
| **Underlying profit for the period** | **341** | **486** | **- 23** | **9** | **391** | **583** |
| Separation and integration costs (net of tax) | 52 | 32 | 98 | 63 | 66 | 44 |
| **Reported profit for the period** | **289** | **454** | **- 121** | **- 54** | **325** | **539** |
| *Attributable to:* | | | | | | |
| Non-controlling interests | - 2 | - | - | 16 | 2 | 6 |
| Owners of the company | 291 | 454 | - 121 | - 70 | 323 | 533 |

## 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.