Pillar 3 Disclosure 2010

ABN AMRO Group N.V.

Notes to the reader

Introduction

This is the Pillar 3 report for the year 2010 of ABN AMRO Group N.V..
This document covers Basel II Pillar 1 risks and contains limited information on other risks.
For more information on risk management processes at ABN AMRO Group N.V. please refer to the Annual Report 2010.

Exposure at Default (EAD), Probability of Default (PD) and Loss given Default (LGD) are all measures resulting from Basel II models.

EAD and Exposure are different, as Exposure reported in the Annual Report 2010 complies with IFRS and represents the accounting value while EAD complies with the Capital Requirement Directive and is the value at the time of default of a specific counterparty. Notably EAD includes also components of off-balance sheet and the effect of netting. In this document we use EAD unless otherwise specified.

As it is not required by regulation, this report has not been audited by the Group's external auditors. However, it also includes information that is contained within the audited consolidated financial statements as reported in the Annual Report 2010.

Presentation of information

All amounts in the tables of this Pillar 3 disclosure are denominated in millions of euros, unless stated otherwise. Certain figures in this document may not tally exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.

Exposure classes are defined as in the Capital Requirement Directive 2006/48 EC and do not reflect the definition used for similar types of exposures in the Annual Report 2010.

Definitions

ABN AMRO or **the Group**
refers to ABN AMRO Group N.V. incorporated on 18 December 2009 ("ABN AMRO Group" or "the company") and its consolidated subsidiaries.

ABN AMRO Bank
refers to ABN AMRO Bank N.V. (formerly known as "ABN AMRO II N.V.").

ABN AMRO Bank Standalone
refers to ABN AMRO Bank N.V. in the period between the Legal Demerger on 6 February 2010 and the Legal Merger on 1 July 2010, which contained the Dutch State-acquired businesses of ABN AMRO Holding.

ABN AMRO Holding
refers to ABN AMRO Holding N.V. and its consolidated subsidiaries, which was acquired by the Consortium and renamed RBS Holdings N.V. upon the Legal Separation. RBS Holdings N.V. is part of The Royal Bank of Scotland Group plc..

Ageas
refers to ageas SA/NV (formerly known as Fortis SA/NV) and ageas N.V. (formerly known as Fortis N.V.) together.

ALCO
refers to the Asset and Liability Committee.

DNB
refers to De Nederlandsche Bank, the financial regulator in the Netherlands.

Dutch State
refers to the State of the Netherlands.

Fortis Bank Nederland
refers to the legal entity Fortis Bank (Nederland) N.V., previously named Fortis Bank Nederland (Holding) N.V., which merged with ABN AMRO Bank Standalone pursuant to the Legal Merger.

Legal Demerger
refers to the Legal Demerger effectuated on 6 February 2010 in accordance with the demerger proposal filed with the Amsterdam Chamber of Commerce on 30 September 2009, thereby demerging the majority of the Dutch State-acquired businesses held by RBS N.V. into ABN AMRO Bank Standalone.

Legal Merger
refers to the Legal Merger effectuated on 1 July 2010 between ABN AMRO Bank Standalone and Fortis Bank Nederland. ABN AMRO Bank was the surviving entity and Fortis Bank Nederland was the disappearing entity.

RWA
refers to Risk-weighted Asset. RWA are positions that carry credit, market and/or operational risk, weighted according to regulatory requirements.

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Basel II framework 1

Pillar 1

The current reporting framework of ABN AMRO is derived from the frameworks of both Fortis Bank Nederland and ABN AMRO before the Legal Merger.

Before the Legal Merger Fortis Bank Nederland reported its regulatory capital under Basel II through the most advanced approaches, using the Advanced Internal Rating Based Approach (A-IRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk for the majority of its business lines and the Internal Model Approach (IMM) for market risk.

Prior to 1 April 2010, ABN AMRO reported its regulatory capital under Basel I. As of 1 April 2010, ABN AMRO has reported, for the majority of the portfolio, A-IRB for credit risk and the Standardised Approach for operational risk as well as for market risk.

Since the legal merger of 1st July 2010, ABN AMRO has been in the process of integrating the business, control and reporting functions of ABN AMRO Bank N.V. and of Fortis Bank Nederland. This process is expected to continue in 2011 and in 2012.

The current Basel II approaches of ABN AMRO are summarised below:

Table 1 - Basel II approaches by legacy systems

	RWA Calculation	
	ABN AMRO Bank	Ex-Fortis Bank Nederland
Credit Risk – Exposures to Government & Central Banks	SA	SA/AIRB
Credit Risk – Exposures to Credit Institutions	SA	SA/AIRB
Credit Risk – Exposures to Corporate	SA/AIRB/FIRB	AIRB
Credit Risk – Retail exposures	SA/AIRB	AIRB
Market Risk	SA	IMM *)
Operational Risk	SA	AMA

*) Equity portfolio

As part of the integration process, the Basel II policies, methodologies and models used for the calculation of the regulatory capital for the merged bank are being harmonised. Until completion of the harmonisation, ABN AMRO calculates its capital requirements using two separate legacy systems on a separate basis and report them on a combined pro forma.

As of the Legal Merger, ABN AMRO pursues the roll-out of the advanced Basel II approach for credit, market risk and operational risk.

Credit risk

Credit risk RWA is based on the Basel II Advanced IRB approach. A portion of approximately 22% of the total RWA portfolio is currently reported on the Standardised Approach and 10% on the Foundation Approach. These portfolios are subject to the Basel II roll-out programme. The downturn characteristics of some credit risk models are being reviewed and in anticipation of model adjustments the credit risk RWA includes additional RWA. Some immaterial portfolios are on a permanent exemption (where the relevant portfolio will follow the Standardised approach on a permanent basis).

Market risk

Following the merger with Fortis Bank Nederland, ABN AMRO utilises the Standardised Approach as a general rule, except for the equity portfolio from Fortis Bank Nederland which remains reported under the Internal Model Approach. The combined bank intends to align the Basel II reporting frameworks of the two legacy banks in a time frame which is aligned to the integration of the front office activities.

Operational risk

The approach of ABN AMRO reflects the calculation methodologies of the former banks: Standardised Approach (TSA) for ABN AMRO entities and the Advanced Measurement Approach (AMA) for Fortis Bank Nederland entities.

For the combined bank, capital is temporarily calculated by adding AMA and TSA capital figures, augmented with a temporary additional prudent capital buffer for the risk of integration.

For the near future, ABN AMRO intends to report its operational risk in the integrated chain under the Standardised Approach while preparing AMA implementation and roll-out.

CRD II

The Capital Requirements Directive (CRD) came into force on January 2007 and was introduced as a supervisory framework in the European Union, designed to ensure the financial soundness of credit institutions. The Directive reflects the Basel II rules on capital measurement and capital standards.

In response to the global crisis, the Basel Committee on Banking Supervision has implemented a number of changes to the Basel II framework. These changes are implemented in the EU through modifications to the CRD.

The first modifying directive, CRD II, was adopted in 2009, and the changes became effective in the Netherlands in December 2010. CRD II includes changes regarding the classification of hybrid capital instruments, the introduction of a retention requirement for own securitisations, new requirements for liquidity risk management, and technical changes of the credit risk requirement. The impact on ABN AMRO RWA and capital ratios is insignificant.

Pillar 2

The objective of Pillar 2 is to enhance the link between an institution's risk profile, its risk management, risk mitigation and its capital.

The Internal Capital Adequacy Assessment Process (ICAAP) assesses the overall capital adequacy in relation to the risk profile of the bank based on all risks and including stress testing. As part of the ICAAP, ABN AMRO has defined a strategy to maintain adequate capital levels; as such a stress testing framework is in place to execute firm-wide stress tests. The ICAAP of ABN AMRO aims to cover all material risks and all business activities.

The capital adequacy is reviewed frequently to ensure that risks are covered adequately and to ensure that changes in the strategic focus, business plan, operating environment or other factors that materially impact assumptions or methodologies used in the ICAAP, initiate appropriate adjustments to the ICAAP. The ICAAP is based on the internal models for economic capital and is supplemented with add-ons based on expected impact of migration to target Economic Capital models and add-ons regarding risks assessed to be not fully covered within the current Economic Capital models.

ABN AMRO includes an assessment of future capital adequacy. The result of the ICAAP is discussed in the Group Risk Committee. The full ICAAP is performed annually.

Pillar 3

ABN AMRO complies with the Pillar 3 disclosure requirements as described in the European Directive 2006/48/EC. The Pillar 3 disclosure contains two parts:

- qualitative disclosure that includes information on processes, policy and an explanation of implementation decisions;
- quantitative reports that include tabulated data with basic analysis and distributions.

Content of disclosure

ABN AMRO has designed its disclosure based on requirements of the Dutch legislation (Wet financieel toezicht), the European Directive 2006/48/EC and the guidelines of the Financial Stability Forum. Additionally, for the disclosure of securitisation, the guidelines from the European Banking Federation have been taken into account. The bank aims to provide a comprehensive overview of its capital requirements for credit risk, market risk and operational risk and its level of capital calculated for solvency purposes.

Significant subsidiaries

Significant subsidiaries in this context are intended as for article 72 of the Capital Requirement Directive 2006/48 EC. ABN AMRO considers significant subsidiaries entities that provide material contribution to its consolidated results and/or that have material importance in the local context (i.e. market share).

An exception to these criteria is made for qualifying significant subsidiary for which a statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued.

Based on this principle ABN AMRO has no Pillar 3-significant subsidiaries.

risk management overview 2

Mission and strategy

Mission
Risk Management aims to contribute to the overall bank strategy by promoting a healthy balance between risk and return based on a moderate risk profile. The aim is not to avoid all risks, but to keep risks manageable and, in doing so, to ensure a healthy, stable bank.

Strategy
Risk Management defines how and to what extent the bank takes various types of risk in order to achieve its business goals and objectives. ABN AMRO's risk management strategy specifies to what extent undesired risks should be mitigated or avoided, describing the bank's approach to risk and the risk appetite. The risk strategy is aligned with the bank's corporate strategy, which is designed to help the bank meet its strategic objectives and links up with ABN AMRO's planning and capital management processes.

Further information on the Risk Management Strategy of ABN AMRO is provided in the Annual Report 2010 in the Risk Management section.

Risk governance

Three lines of defence: risk types under one umbrella
Risk Management is structured to create a healthy mix of checks and balances. Risks are managed and controlled according to the three lines of defence model, as the bank

1st Line of Defence Business	2nd Line of Defence Risk Control Functions	3rd Line of Defence Audit
Risk Ownership	**Risk Control**	**Risk Assurance**
Management within each business is primarily responsible for the risk that it takes, the results, the execution, compliance and the effectiveness of risk control.	Risk control functions are responsible for setting frameworks, rules and advice, and monitoring and reporting on execution, management, and risk control. The second line ensures that the first line takes risk ownership.	Group Audit evaluates the effectiveness of the governance, risk management and control processes and recommends solutions for optimising them. Group Audit has a coordinating role towards the external auditor and the Dutch Central Bank.

wants to make the business accountable for taking risks in order to strike a balance between risk and return. The illustration above shows how this model functions.

Risk Management has oversight of all risks to which the bank is exposed and monitors the implementation of the three lines of defence model.

Risk appetite

The risk appetite determines the level and nature of risk that the bank is willing to take in order to pursue its strategy, taking all stakeholders into consideration. The risk appetite is aligned with the bank's corporate strategy and is set with a view to creating a moderate risk profile. The risk appetite is approved by the Managing and Supervisory Boards.

Further information on the risk appetite is provided in the Annual Report 2010.

Risk decision framework

The Managing Board is responsible for establishing, executing, monitoring and adjusting the overall risk policy and sets and enforces clear lines of responsibility and authority within the bank. The Managing Board takes decisions that are of material significance to the risk profile, capital allocation and liquidity. The intake and management of other core risks above defined thresholds occurs in risk committees, which are part of the second line of defence.

The risk committee structure is based on a hierarchy of three executive risk committees, each of which is chaired by a member of the Managing Board. These three committees can delegate their authority to subsidiary risk committees.

More information on risk management governance is provided in the Annual Report 2010 in the Risk Management section.

Risk taxonomy

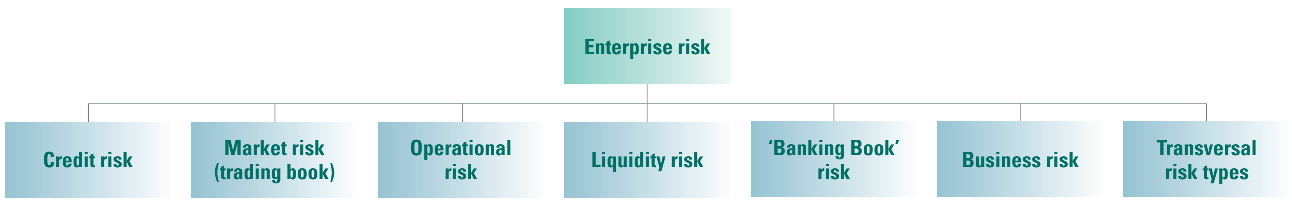
ABN AMRO's risk taxonomy includes all material risks. It is reviewed and updated on a yearly basis to ensure that all material risks are identified, defined and fed into the risk governance framework. ABN AMRO's current risk taxonomy is summarised in the chart below:

The purpose of creating the risk taxonomy is to define one common risk vocabulary and to guarantee that all of the bank's risk types are managed by the designated owner.

Credit risk, market risk, operational risk and Interest Rate Risk Banking Book are detailed in this disclosure with referral to Annual Report 2010 where applicable; for the other risk types we refer to the Annual Report 2010.

Stress Testing

ABN AMRO supplements its risk calculation by applying a stress testing to all risk types and all businesses. The purpose is to apply stress scenarios that anticipate extreme events and/or a persistently negative business environment to identify consequences of the inputs of these stress events such as potential loss and increased concentrations of risk.



The stress testing framework enables ABN AMRO to:

- provide forward-looking assessments of risk;
- support capital and liquidity planning procedures;
- take into account spill-over effects, reputation risks related to one risk-type affecting another risk-type or business;
- assist in uncovering hidden risks and interactions among risks through a reverse stress test;
- overcome limitations of models and historical data;
- underpin the setting of the bank's risk tolerance and appetite;
- develop mitigation or contingency plans across a range of stressed conditions;
- support internal and external communication.

A quarterly report is produced for the Managing Board and Supervisory Board. This report provides a forward-looking analysis on how hypothetical adverse external (market) conditions would impact ABN AMRO.

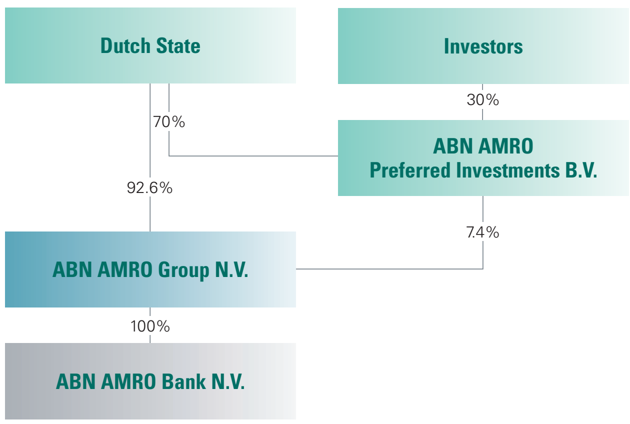
The Stress Testing Policy has been approved by the Managing Board.

scope and perimeter 3

Introduction
ABN AMRO Group N.V. is a public limited liability company, incorporated under Dutch law on 18 December 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. The Dutch State holds all ordinary shares in ABN AMRO Group.

In the first half of 2010, important restructurings took place which resulted in the following legal structure and ownership overview by 1 July 2010. The Dutch State holds all common shares in ABN AMRO Group and has full control over ABN AMRO Group. ABN AMRO Preferred Investments B.V. holds all non-cumulative preference shares A in ABN AMRO Group.

Figure 1 - ABN AMRO Group N.V. ownership



Scope of application of Basel II approaches

The scope of application of Basel II approaches is determined based on the legal consolidation scope. To determine the prudential consolidation scope – for prudential reporting towards the regulators – the so-called 'prudential filters' are applied to the legal consolidation scope.

Consolidation scope
The consolidation scope of ABN AMRO is determined in accordance with IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures, and in accordance with SIC-12 Consolidation – Special Purpose Entities. Please refer to the Annual Report 2010 for further information.

All companies for which ABN AMRO, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities enter into the consolidation scope of ABN AMRO and are fully consolidated.

Subsidiaries, joint ventures and associates are consolidated from the date on which effective control is transferred to ABN AMRO and are no longer consolidated from the date that control ceases to exist.

Consolidation differences between IFRS and Basel II

The scope of consolidation for the purpose of calculating regulatory capital requirements is similar to that used for financial reporting under International Financial Reporting Standards (IFRS), except for the following differences:

Table 2 - Scope of consolidation for regulatory treatment and for IFRS financial reporting

Entity	Financial reporting under IFRS	Capital treatment under Basel II
Subsidiaries engaged in non-financial activities.	Fully consolidated.	Exposures to non-financial subsidiaries are risk-weighted as third-party transactions.
Insurance companies.	Fully consolidated.	The required capital is calculated using the requirements of the insurance supervisor.
Associates and participations engaged in non-financial activities.	Accounted for on an equity basis.	Exposures to non-financial associates and participations are risk-weighted as third-party transactions.
Associates and participations engaged in financial activities.	Accounted for on an equity basis.	If capital interests in these companies exceed 10% of their total capital, the investments are deducted from regulatory capital, otherwise they are risk-weighted for their exposures.
Private equity investments.	If control exists, private equity investments are fully consolidated, if not, private equity investments are held at fair value with changes through the P&L.	Investments in and exposures to private equity entities are risk-weighted.
Securitisation vehicles.	If control exists, investments in securitisation vehicles are fully consolidated.	Securitisation vehicles (when effective under Basel II) are not consolidated for regulatory capital purposes, but are treated under the securitisation framework.

Nonetheless, the majority of subsidiaries according to the Banking Act are also fully consolidated in accordance with IFRS in the bank's consolidated financial statements and vice versa.

Furthermore, DNB requires solo-reporting. The basis for this reporting is the company balance sheet. The affiliates located in the Netherlands are consolidated by applying the so-called solo consolidation. Foreign banking subsidiaries are also tested for capital adequacy purposes by their local supervisory authority (host supervision).

Entities deducted from own funds

Own funds are calculated after deduction of participating interests in credit, insurance and other linked financial institutions to avoid duplicate counting (i.e. to avoid the use of the same equity) at the parent company's level and at the level of the participating interest. ABN AMRO deducts the following entities with a total amount of EUR 595,163,438.

Entities deducted from own funds are:

- ABACUS Wertpapier GmbH (Amsterdam);
- Secfinex Ltd;
- Trade Credit Re SA;
- European Merchant Services B.V.;
- Cofiloisirs S.A.;
- Neuflize Vie S.A.;
- Delta Lloyd ABN AMRO Verzekeringen Holding B.V.;
- Equens S.E.;
- Currence Holding B.V.;
- Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.;
- Altajo B.V.;
- Alcover A.G.;
- Hypocasso B.V.;
- Flow Model Entity B.V.;
- HR Sells Holding B.V.;
- Associates B.V.;
- Filonde B.V..

Waivers

ABN AMRO uses the following waivers:

- based on Article 69.1, a waiver can be obtained for subsidiaries that are included in consolidated reporting (when the subsidiary belongs to the same member state as the parent);
- based on Article 69.3, a waiver can be obtained for stand-alone reporting of parent companies that are included in consolidated reporting.

Special purpose entities

ABN AMRO Bank holds some Special Purpose Entities (SPEs) related to Securitisation and to other activities; the list of material SPEs related to other activities above 0.1 percent of their total asset size compared to the bank's total asset size is reported below. The list of SPEs related to Securitisation is in Chapter 10.

Table 3 - Size of Special Purpose Entities related to other activities

(in millions of euros)	Asset size	% of the institution size
Entity Name		
Moeara Enim Investeringsmij. IV BV	2,355	0.62%
Brooklyn Investments BV	1,471	0.39%
Moeara Enim Investeringsmij. VII BV	1,010	0.27%
BV Petroleummij "Moeara Enim"	452	0.12%
Total	**5,288**	**1.39%**

capital management framework 4

Capital management strategy

Capital is the loss absorbing resource of the bank on a going concern basis, and therefore it protects depositors and other creditors. As such, capital is a necessary condition for doing business.

Recognising the importance of capital for the financial health and competitiveness of the bank, the first priority of the Capital Management strategy of ABN AMRO is to ensure that capital adequacy targets are continuously met. Another key objective is optimising shareholder value.

Capital is managed following a holistic view. The balance between capital needs and capital availability is centrally managed within ABN AMRO, optimising capital usage while providing tactical flexibility in the deployment of capital. The capital management strategy supports the overall strategy of the bank. The strategy uses its risk appetite, including its target rating, along with its business growth plans as a basis. Other determining factors are expectations and/or requirements of the stakeholders (investors, shareholders, rating agencies, clients and regulators), the position of the bank in the market, the market developments, contingent capital needs and the capital profile of the bank.

The main capital adequacy targets are the target capital ratios including Economic Capital as a percentage of going concern capital as set by the bank's management. Capital projections are used to enable management of these targets and ensure actions can be timely executed.

Capital perspectives

ABN AMRO considers its capital adequacy targets from three perspectives: internal, regulatory and market perspective. In that context ABN AMRO assesses its capital position by comparing the relative level of each of the different dimensions of capital, as described below.

1. Internal Economic Capital perspective

Internal Economic Capital (EC)

The economic capital is the amount of capital, as estimated by internal models, ABN AMRO needs to cover the risk taken as a going concern. The economic capital takes into account the modelled economic capital, the management add-ons to cover material risks not included in the economic capital model (such as model risk) and the management add-on to cover for the point in the economic cycle.

Economic capital is a key risk metric within the framework for risk analysis. Economic capital is used as a parameter for solvency, risk aggregation, capital allocation and performance and limit steering. Economic capital is thus a central parameter used in the risk appetite of ABN AMRO.

Available Financial Resources (AFR)

Available Financial Resources represent the capital elements available to ABN AMRO with loss absorbency characteristics on a going concern basis. The level of the AFR is compared to the economic capital requirements as emerged due to the risks inherent in the business of the bank and calculated according to its relevant economic capital models. All the risk types that are identified in the risk taxonomy are taken into account.

2. Regulatory perspective

Pillar 1 Capital Requirement

Pillar 1 capital is the absolute minimum amount of capital required of a bank to cover the three major components of risk that a bank faces: credit risk, operational risk and market risk as determined in the Basel II, Pillar 1 framework. Generally, the Pillar 1 capital requirement is stated as a percentage of the risk-weighted assets (RWA). The transitional arrangements for solvency requirements under Basel II (i.e. the RWA application of a regulatory floor based on 80% of Basel I) apply to the calculation of Pillar 1 Capital Requirement.

Regulatory Own Funds

The Regulatory Own Funds (ROF) refer to the amount of capital available to cover the risks of the bank from a regulatory perspective.

SREP Capital

The Supervisory Review and Evaluation Process (SREP) Capital is the amount of capital expressing the supervisory assessment of the level of capital required, above Pillar 1 minimum, to cover adequately all material risks incurred by the bank, including any additional capital required to withstand stressed circumstances, through a severe business cycle. The SREP evaluation includes both quantitative and qualitative analysis of the solvency position and capital management of the bank, taking into account peer group comparison.

To comply with regulatory requirements, ROF should be equal to or more than a certain percentage of the amount of RWA as calculated according to Basel II rules.

3. Market perspective

Market participants, such as shareholders, investors, rating agencies, equity analysts and clients have their own view on the amount and structure of capital that ABN AMRO should maintain to cover its risk profile and support its strategy. In that context, ABN AMRO takes their views into account when deciding on the optimal level of capital the bank should retain pursuing to stay aligned with international market standards.

Capital management organisation

The strategic objectives of the bank and its risk appetite substantially determine the Capital management process of ABN AMRO. ABN AMRO has a centrally organised process to manage its capital ABN AMRO regularly assesses its capital strategy and profile. The expected need for capital is determined and compared to available capital. Results from this forward-looking analysis are input to the strategic capital allocation process. Developments in the capital base of the bank are periodically monitored, and if any gaps or sudden capital shortfalls are identified, appropriate actions are undertaken.

Furthermore, ABN AMRO regularly monitors and analyses external developments that are relevant for its capital management and takes appropriate actions in order to comply with and/or react to these developments. Financial market trends along with competitor and peer banks capital positions are regularly subject to comprehensive analysis and taken into account in benchmarking and setting internal target capital structures and ratios.

Capital adequacy assessment process

Capital planning has a regulatory and economic view. ABN AMRO measures and monitors the quantity and composition of available and required regulatory and economic capital against targets on an ongoing basis. Capital planning incorporates a forward-looking view on the developments of the internal demand for capital and the external supply. The output and findings of the capital planning activities provide ABN AMRO with a forward-looking view on its forecasted and stressed capital adequacy profile and a thorough understanding of capital drivers. Capital planning facilitates decision making regarding capital management actions. It thus enables ABN AMRO to undertake capital actions on a timely basis. It furthermore provides input to the development of contingency plans and other risk mitigation options in order to maintain the capital adequacy position of ABN AMRO.

Capital usage

ABN AMRO pursues to optimise the risk-based return to shareholders following an efficient capital allocation and usage process. Capital allocation is based on clearly defined rules and is embedded in the performance management.

Central management of capital is in place to easily redeploy capital when needed within a short time frame. Any excess capital of its subsidiaries, above local targets, is repatriated to ABN AMRO taking into account local regulatory, tax and accounting rules and regulations.

Transaction execution and management

ABN AMRO's capital management tools comprise, among others, capital raising, own asset portfolio credit risk transfer transactions to obtain capital relief through securitisations, asset sales, credit default swaps (CDS) and other structured transactions. Furthermore dividend payments and management of usage of capital are important instruments.

ABN AMRO generates results and has capital positions and capital requirements in several currencies. As the euro is the reporting currency of ABN AMRO, foreign currency exchange movements generate foreign exchange risk. ABN AMRO pursues to actively manage foreign exchange positions related to capital investments and to manage volatility in the capital adequacy targets due to foreign exchange movements.

capital adequacy 5

Capital Adequacy

As set out in the previous chapter, ABN AMRO assesses its capital adequacy in multiple ways. ABN AMRO expresses its risk appetite based on its strategic objectives by setting explicit risk appetite statements in terms of capital adequacy targets.

Target ratios for capital are determined, and additional ratios such as Leverage Ratio and Available Financial Resources to Economic Capital ratio are also considered to assess the capital position of ABN AMRO.

ABN AMRO also takes into account the results of the stress tests.

ICAAP Pillar 2

As a financial services provider, the acceptance of risk and its active management are core competences of ABN AMRO.

The Risk Taxonomy is the starting point of the Internal Capital Adequacy Assessment Process (ICAAP) and serves several purposes:

- it provides a description of all broad risk categories the Group faces in the conduct of its business as a diversified bank;
- it links the various sources of risk with the risk management framework by classifying them in line with the Group Risk Governance structure.

Risk management is an integral part of the entire management of the bank and Economic Capital is the key risk metric used. Economic capital is the internal measure the bank is using to establish if the bank is adequately capitalised as is required under Pillar 2.

ABN AMRO is striving to continuously improve its capital adequacy assessment process in order to provide senior management with an accurate overview of the current capital position, forecasts and results of stress testing, combined with the corresponding targets.

Capital structure

ABN AMRO holds capital to cover its risks. The amount and quality of the bank's capital is subject to rules, guidelines and/or expectations from several stakeholders, including its regulators.

This section describes the composition of the bank's available regulatory own funds.

Regulatory own funds

The Pillar 1 regulatory own funds at consolidated level are calculated based on IFRS figures according to the rules set by De Nederlandsche Bank (DNB). The available regulatory own funds are classified into three main categories: Tier 1 capital, Tier 2 capital and Tier 3 capital. The key terms and conditions of each of these categories are summarised below.

Table 4 - Capital Structure

(in millions of euros)	
Total equity (IFRS)	12,112
Intangible assets	-172
IRB provisions shortfall	-167
Securitisation not included in the RWA	-43
Participations in financial institutions >10%	-301
Valuation differences in AFS equities	-73
Valuation differences (other)	728
Core Tier 1	**12,084**
Non-innovative Hybrid Instruments	2,750
Innovative Hybrid Instruments	
Additional Tier 1	**2,750**
Tier 1	**14.834**
Subordinated Liabilities Upper Tier 2 *)	173
Valuation differences in AFS equities	73
Other provisions	20
Upper Tier 2	**266**
Subordinated Liabilities Lower Tier 2	4,747
Lower Tier 2	**4,747**
Participations >10%	-301
IRB provisions shortfall	-167
Securitisation not included in the RWA	-43
Tier 2	**4,502**
Tier 3	
Total Regulatory Capital	**19,336**

*) Notional value

Tier 1 capital

Tier 1 capital is composed of Core Tier 1 capital and hybrid Tier 1 capital instruments and Tier 1 capital deductions. The Core Tier 1 capital is composed of shareholders' equity, minority interests and the application of prudential filters. Shareholders' equity consists of share capital, share premium reserve, unrealised gains and losses, reserves and net profit attributable to shareholders. The unrealised gains and losses are excluded from Tier 1 capital computation except for the unrealised losses on available-for-sale equities which are included or deducted from Tier 1 capital. Minority interests reflect the equity of minority shareholders in a subsidiary.

Core Tier 1 capital instrument

ABN AMRO Preferred Investments

On July 2010, in connection with the legal merger, the Group issued 75 million class A non-cumulative preference shares to a special purpose vehicle (SPV) named ABN AMRO Preferred Investments B.V. (previously Fortis FBN(H) Preferred Investments B.V.) in exchange for 150,000 class A non-cumulative preference shares Fortis Bank Nederland.

These preference shares were issued for a total amount of EUR 210 million. The preference share dividend over 2009 has been reserved into a dedicated preference share dividend reserve. Both the preference shares and the dedicated dividend reserve are recognised as Tier 1 capital. Until January 2013, the preferred dividend on the class A preference shares is 5.85%.

The Dutch State controls ABN AMRO Preferred Investments B.V. through 35 priority shares with 70% of the voting power. Dutch institutional investors control 30% of the voting power and are effectively entitled to the economic benefits derived from the preference shares the SPV holds.

Hybrid Tier 1 capital instruments

Perpetual Bermudan Callable Securities

EUR 1 billion of Perpetual Bermudan Callable Capital Securities (XS0246487457) were issued in 2006. This innovative Tier 1 instrument has a fixed 4.31% coupon up to March 2016, after which the coupon resets to three-month Euribor plus 166 basis points. This instrument is reported in the balance sheet under subordinated liabilities.

Payments may be deferred, but any deferred coupon payment will immediately become due if the issuer makes payments on or purchases or redeems securities ranking pari-passu with these capital securities, or if ABN AMRO Group N.V. makes payments on any of its ordinary shares. Under a regulatory event, the coupon payment will be deferred mandatorily. Following a regulatory event, the terms of the security will be modified such that the security becomes non-cumulative.

Deferred coupons will be satisfied using the Alternative Coupon Satisfaction Mechanism (ACSM) meaning that the relevant payment is satisfied from the proceeds of the public or private issue by ABN AMRO Group of such amount of ordinary shares for cash as required making the relevant payment. Investors may always receive payments made in respect of the Capital Securities in cash.

The last annual coupon was paid on 10 March 2010. Assuming no regulatory event takes place, the next coupon will be paid on 10 March 2011.

The capital securities are listed and traded on Euronext Amsterdam by NYSE Euronext.

8.75% Mandatory convertible securities (MCS)

On 7 December 2007, Fortis Bank Nederland (Holding) N.V. (“FBNH”) (which was legally succeeded by ABN AMRO Bank N.V. on 1 July 2010), Fortis Bank SA/NV, Fortis SA/NV (renamed Ageas SA/NV) and Fortis N.V. (renamed Ageas N.V.) issued EUR 2 billion of mandatory convertible securities (“MCS”).

The MCS matured on 7 December 2010 and converted into shares issued by ageas SA/NV and ageas N.V. (hereinafter jointly ‘Ageas’) pursuant to the applicable terms and conditions. Coupons on the securities were payable semi-annually, in arrears, at a rate of 8,75% annually. On 7 December 2010, the final semi-annual coupon was paid.

Prior to the issuance of the MCS, the four co-issuers entered into a Four Party Agreement, which describes the former intercompany obligations of the different parties with regard to the MCS. This includes – in ambiguous language – the contractual obligation for FBNH to issue to Fortis SA/NV and Fortis N.V an undetermined number of shares in its ordinary capital in consideration for the issue of shares by the latter parties to the holders of the securities upon conversion of the MCS. According to Ageas, the aforesaid contractual obligation has become enforceable due to the conversion of the MCS on 7 December 2010.

On 3 October 2008 the Dutch State acquired a controlling interest in FBNH. The Dutch State is of the opinion that the terms and conditions of the Term Sheet of 3 October 2008 includes a full and final release of the obligations, if any, of FBNH (and therefore also of ABN AMRO Bank as its legal successor) under the Four Party Agreement. In addition, the Dutch State argues that the issue of shares to Ageas would not be consistent with the clear objective of the parties to the Term Sheet to transfer 100% ownership of FBNH to the Dutch State.

On 3 December 2010, the Dutch State lodged an attachment on the purported claim of Ageas under the Four Party Agreement. As evidenced by the attachment, the Dutch State strongly contests Ageas’ position on the purported claim.

On 28 December 2010, Ageas initiated court proceedings in the Netherlands in which Ageas has claimed from ABN AMRO Group and ABN AMRO Bank ordinary shares with a value of EUR 2 billion. Alternatively, Ageas has claimed monetary damages in the amount of EUR 2 billion. The Dutch State will join the court proceedings as a party.

Since Ageas and the Dutch State have a different opinion whether the 3 October 2008 transaction included a full and final release of Ageas’ purported claim, ABN AMRO Group and ABN AMRO Bank will contest in court the claim of Ageas. Moreover, since the wording of the Four Party Agreement fails to unambiguously support (the value of) Ageas’ purported claim, both ABN AMRO entities have adopted alternative defences under which the purported claim of Ageas, if upheld, could be satisfied by the issue of either (i) one ordinary share to each of ageas SA/NV and ageas N.V. to perfect the contemplated conversion of the MCS into equity, or (ii) the issue of ordinary shares to Ageas up to a value equal to the market value of the shares issued by Ageas upon conversion (approx EUR 200 million). ABN AMRO Group and

ABN AMRO Bank strongly contest the purported obligation to pay Ageas any compensation in cash.

Given the complexity of this matter, it is impossible for ABN AMRO to predict the outcome of the pending court case, although the risk that the purported claim, if upheld, would be awarded in cash is in any event deemed small. For the same reason it is impossible to determine the fair value of this liability in a reliable way.

The liability under the Four Party Agreement does not qualify for derecognition from ABN AMRO's balance sheet under IFRS. This is a consequence of some uncertainty that remains after the 3 October 2008 transaction.

Until it is certain that ABN AMRO is legally released from the obligations, if any, under the Four Party Agreement as part of the agreements in respect of this transaction, derecognition of the liability from the balance sheet as a result of extinguishment of aforementioned obligations is not permitted by IFRS.

Under IFRS these obligations are required to be classified as a liability instead of equity since the number of shares to be issued by ABN AMRO Group or ABN AMRO Bank, if any, for conversion of the liability is unclear as the contract does not stipulate a fixed amount of shares to be delivered.

In accordance with IFRS requirements the liability has therefore been retained in the balance sheet as at 31 December 2010.

Tier 2 capital

Tier 2 capital is subdivided into upper Tier 2 and lower Tier 2 capital. Upper Tier 2 capital consists of debt instruments with an indefinite term (i.e. cumulative preference shares) and other financial instruments such as positive revaluations on available-for-sale equities (after tax). ABN AMRO's Lower Tier 2 capital consists of other long-term subordinated liabilities that meet certain specified criteria.

ABN AMRO has a total of upper Tier 2 capital of EUR 266 million on December 2010.

Lower Tier 2 at ABN AMRO consists of other loans from third parties with a resulting total amount of regulatory capital of EUR 4,747 million with an interest rate in the range of 0.5% to 8.6% and a maturity in the range of 2012 to 2025.

Tier 3 capital

Tier 3 capital consists of short-term subordinated liabilities. Tier 3 Capital is a regulatory item that was introduced in 1996 to cover market risk requirements only. No Tier 3 debt was outstanding at the end of 2010.

Risk-weighted assets and absolute minimum capital requirements

Pillar 1 capital is the absolute minimum amount of capital required of a bank to cover the three major components of risk that a bank faces: credit risk, operational risk and market risk as determined in the Basel II, Pillar 1 framework.

The next table represents an overview of the risk-weighted assets and the minimum capital requirements per risk type, category of exposure and regulatory approach.

Table 5 - Capital Requirement

(in millions of euros)	Capital Requirement	Risk-weighted Assets
Credit Risk Internal Rating Based (IRB)		
Central Governments and Central Banks	31	386
Institutions	147	1,842
Corporates	3,337	41,709
Retail	2,213	27,658
Equity exposures (in the banking book)	133	1,663
Securitisation positions	371	4,644
Other Non credit Obligation Assets		
Total	**6,232**	**77,902**
Credit Risk Standardised Approach (SA)		
Sovereigns	21	259
Regional Governments and local authorities		
Administrative Bodies and Non-Commercial		
Multilateral Development Banks		
International organisations		
Institutions	540	6,748
Corporates	726	9,079
Retail claims	195	2,439
Claims Secured on real Estate Property		
Past due items		
Equities		
Covered bonds		
Short-term claims on Institutions and Corporate		
Collective Investment Undertakings		
Other	252	3,149
Total	**1,734**	**21,675**
Other risks		
Market Risk *of which*	183	2,290
(i) Standardised	159	1,982
(ii) Internal Model Approach	25	309
Settlement Risk		
Operational Risk *of which*	1,157	14,461
(i) Basic Indicator Approach	20	252
(ii) Standardised Approach	717	8,959
(iii) Advanced Measurement Approach	420	5,250
Total	**1,340**	**16,752**
Total	**9,306**	**116,328**

Capital Ratios

ABN AMRO regularly monitors its regulatory capital ratios and takes them into account in assessing its capital adequacy and its compliance with regulatory standards as figured out by Basel II and interpreted by DNB. Regulatory capital ratios are resulted as the proportion of regulatory own funds to the risk-weighted assets, as depicted in the following table. At the end of 2010, the Core Tier 1 ratio of ABN AMRO was 10.4%, the Tier 1 ratio was 12.8% and the total capital ratio 16.6%.

Table 6 - Capital Ratio

(in millions of euros)	2010
	Basel II
Credit (RWA)	99,577
Operational risk (RWA)	14,461
Market risk (RWA)	2,290
Total Basel II Risk-weighted assets	**116,328**
Core Tier 1 capital	12,084
Tier 1 capital	14,834
Solvency Capital	19,336
Core Tier 1 ratio	10.4%
Tier 1 ratio	12.8%
Total capital ratio	16.6%

Insurance Risk is included in Credit Risk for an amount of 246 million.

Basel II specific capital components, prudential filters and deductions

There are multiple Basel II specific capital components, deductions and prudential filters that limit the capital under the Basel II framework. At ABN AMRO the following applies:

- value adjustments for credit risk positions in standardised approach (+);
- intangible assets (-);
- IRB provision shortfall and equity expected loss amounts (-);
- a linear maturity adjustment on subordinated liabilities with a maturity less then five years (-);
- capital add-ons and deductions.

Impediments to the prompt transfer of own funds

The banking activities of ABN AMRO are almost entirely within legal entities that are located in the Netherlands. These legal entities have been guaranteed by the Group with the so-called 403 declaration. They are also part of the Group's tax unit for corporate tax. This means that apart from legal and regulatory legislation, there are no specific material impediments to the prompt transfer of own funds of the bank.

credit risk 6

Definition

Credit risk is the risk of loss due to an obligor failing to meet the terms of any contract or to otherwise fail to perform as agreed.

Risk management framework Credit risk

Credit risk management

Credit risk management within ABN AMRO is governed by the bank's credit risk policy framework. This framework contains the Central Credit Risk policy, an overarching policy governing key high-level issues, principles and definitions, bank-wide credit risk policies governing specific subjects with a bank-wide relevance and more specific credit (business) risk policies. These policies together define the bank's principles, rules, guidelines and procedures for identifying, measuring, approving monitoring and reporting credit risk within ABN AMRO, in line with the bank's risk strategy and credit risk appetite. The policies establish a consistent framework for credit risk-generating activities, either through direct lending relationships or through other activities resulting in credit risk such as investment activities.

The ABN AMRO Risk Charter defines the risk management organisation, the approving authorities which it has installed and the delegated authorities derived from the respective mandate.

During 2010, ABN AMRO conducted a review of its credit risk policy framework and has started, as of September 2010, to harmonise the ABN AMRO policies and review and rewrite them where required due to the Legal Merger to effectively govern the Group. This process is well on track and for the intermediate time legacy policies have been appointed and approved. Specifically, the Central Credit Risk Policy – setting the overall framework – was revised mid 2010 to address the Legal Merger. All business line-specific policies, or business risk policies, are being revisited, while a formal review cycle has been instituted to ensure continuous relevance of all policies.

Credit risk rating

Credit risk rating is the result of the risk rating assignment process, which is based on a qualified assessment and formal evaluation. This rating is the result of:

- an analysis of each obligor's financial history and estimation of its ability to meet debt obligations in the future;
- the quality and safety of an asset.

The credit quality of the portfolio of financial assets can be assessed with reference to ABN AMRO's internal credit rating system, which reflects the probability of default of an obligor, i.e. the likelihood that a counterparty fails to pay interest and/or principal and/or other financial obligations to the bank.

ABN AMRO's internal counterparty ratings are a crucial tool for managing and monitoring the credit risk of the bank, both at counterparty and portfolio level. The counterparty rating is established by means of internal rating models and is based on many aspects, including both a financial and non-financial analysis of the counterparty. Credit applications from obligors whose internal counterparty rating is determined with an internal credit rating system will be addressed by the normal credit approval process. A risk assessment with expert judgment remains part of the credit process and the approval decision.

Each counterparty to whom ABN AMRO grants any type of credit facility, or who has an exposure, is assigned a Uniform Counterparty Rating (UCR) on a scale of 1 to 8, whereby UCR 1 is of prime quality while UCR 6-8 is, by definition, "in default" according to the ABN AMRO definition of default.

ABN AMRO aims to structure its risk management framework based on Basel II Advanced Internal Ratings Based Approach. However, pending the approval, roll-out and final implementation of IRB Advanced models, Standardised models are used for a certain number of credit portfolios.

Standardised Approach

ABN AMRO calculates its Credit Risk – Risk-weighted Asset on part of its portfolio using the Standardised Approach (SA).

The calculation of Standardised Approach, with some exceptions is transitional.

Currently ABN AMRO uses external ratings for a limited part of its portfolio and is extending their use progressively. ABN AMRO uses Moody's, Standard & Poor's, and Fitch Ratings for all exposure types, and the rating DBRS for some securitised transactions.

ABN AMRO follows the regulatory requirements for the determination of an appropriate credit quality step of an exposure if it has more than one external rating as well as for the transfer of issuer and issue assessments onto its exposures reported under SA.

For the integration of an important part of the former Fortis Bank Nederland loan portfolio a RWA buffer of 2,012 million is included since December 2010. This RWA buffer is included to provide a fair view of the RWA level due to integration and represents the difference between the Advanced IRB approach- and the Standardised approach calculation.

The RWA buffer is added on total level (see table 5) but it does not show in the breakdown in table 12 as it is an add-on to the credit risk RWA.

Internal Rating Based

The target calculation for the Group for credit risk is the Advanced Internal Rating Based approach (AIRB).
To this extent ABN AMRO uses internal ratings (Uniform Credit Ratings – UCR) to classify the exposures.

UCR are equivalent to External Credit Ratings; table 7 represents this conversion.

Table 7 - Internal Rating (UCR) conversion rating

Grade Category	Investment grade			Sub-investment grade			Default without provision	Default with provision
UCR	1	2+ till 2-	3+ till 3-	4+ till 4-	5+ till 5-	6+	6	7-8
Expected default rates (%) 2010	0 - 0.03	0.03 - 0.13	0.13 - 0.46	0.46 - 2.22	2.22 - 16.97	16.97 - 100	100	100
Standard & Poor's/Fitch	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	CCC+/C		
Moody's	AAA/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	Caa1/C		

Credit risk models

ABN AMRO has internal models for most credit portfolios for the parameters Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These models are embedded in the credit approval process and are used for monitoring and internal reporting purposes. If External Credit Assessment Institutions ratings are available for certain counterparties, these are used to benchmark our internal model outcomes. Calculations and storage of the model outcomes take place in several rating systems for the various business lines.

The bank uses different model methodologies, ranging from purely statistical to expert models. Statistical models are based on applicable statistical modelling techniques (e.g. logistic regression), whereas expert models take into account quantitative and qualitative risk drivers.

Probability of Default (PD)
The internal definition of default is compliant with the definition of default outlined in the Basel II capital accord. In short, the bank considers a default to have occurred when either of the following two events has taken place:

- the obligor is overdue more than 90 days;
- the bank considers that the obligor is unlikely to pay its credit obligations.

Retail Banking and part of professional Small Enterprises ("Bedrijven") counterparties are rated by taking into account the most statistically significant drivers of default. The model results in a continuous probability of default. In some cases pools are used to group counterparties with the same characteristics, resulting in a certain probability of default for that pool. The probabilities of default are subsequently mapped to the internal rating scale.

In the other business segments, a number of different rating models are used to determine the credit risk. The models are tailored to the specific characteristics of the counterparty. In most models quantitative (e.g. financials) and qualitative (e.g. management) risk drivers are scored and subsequently weighted, leading to a final model score. The model score is ultimately mapped to the internal rating scale.

Loss Given Default (LGD)
LGD models estimate the economic loss that may result from a credit facility in case the counterparty defaults. It is expressed as the ratio of the loss on an exposure to the amount outstanding at default. The specific facility characteristics (e.g. seniority) and assigned collateral (secured LGD) to the bank are used in the LGD calculations. In measuring the expected loss, all relevant factors are taken into account when collecting the exposure, like material discount effects and material direct and indirect costs (e.g. workout costs and external costs).

The downturn characteristics of some credit risk models are being reviewed and in anticipation of model adjustments the Credit Risk RWA, include additional RWA. The variation of recovery periods makes the one-to-one comparison between the expected loss (resulting from the multiplication of PD, LGD and EAD) and, actual loss in a certain year not meaningful. Moreover, the bank's PD, LGD and EAD parameters contain through-the-cycle components, while the actual loss represents the loss information for one particular year.

Exposure at Default (EAD)
EAD models estimate the expected exposure at the moment of a counterparty default. In the case that all or part of a facility is undrawn (outstanding is below the limit), a percentage of this undrawn amount is added to the exposure to reflect the possibility that the facility is utilised further in the case of default. So, actual exposures at default might be higher than the current exposure. The parameters used in the EAD calculations are calibrated on internal portfolio data.

Using the input variables, the Basel II parameters PD, LGD and EAD are computed. The commercial function calculates the PDs and LGDs, based on collected data needed as input for the appropriate selected model. Afterwards, the credit function checks and validates the input and resulting model rating (PD, LGD). If the credit decider, according to the appropriate delegation model, decides to approve a different rating from the calculated model rating, an override is applied. The credit function ensures afterwards that the final rating is stored in the appropriate system. The rating processes for the different exposure classes are more or less identical, but Programme Lending (retail) and Non-Programme Lending, and other exposure classes, are calculated in separate models.

Overrides
Decisions which determine the level of risks taken should not only be based on quantitative information or model outputs but should also take into account the practical and conceptual limitations of metrics and models using a qualitative approach including expert, human, judgement and critical analysis.

There may be a reason to make qualitative adjustments ("overrides") to a rating as calculated by the rating model, and to submit these to the credit approval authority for approval. These adjustments do concern qualitative model-related aspects, such as financial information, sector, country and specific risks, and non-model related aspects, such as outlook or quality of information. The initial rating can be adjusted depending on the results of the qualitative assessments. Adjustments to the initial rating need to be justified both in the rating model and in the explanation to the credit proposal when calculating the proposed rating and approved by the appropriate decision authority.

Different rating models can have different possible sets of override reasons, different bandwidths that limit positive overrides, or different caps. Criteria and conditions for these overrides are provided in policies and annexes and manuals of the various rating models.

Model risk

A governance structure of these models has been set up to mitigate model risk for the bank, and to ensure Basel II compliancy. These internal models have to be validated by the Model Validation department. The Model Validation department is responsible for providing an independent validation function on all risk models (and also market risk and operational risk models).

The qualitative and quantitative aspects of risk models are investigated and reviewed before a model can be used. Every model is subject to annual evaluations during its lifetime. Model Validation is actively involved in the determination of the validation procedures and advises the modelling departments on acceptance criteria and evaluation methods. Model Validation records an opinion on each model that has been studied. Models are tested against minimum requirements including regulatory regulations and are judged based on acceptance criteria. Final internal approval for the (continued) use of a model is obtained from the Methodology Acceptance Group, a risk committee at senior management level, reporting directly to the Board and Group Risk Committee.

The findings of Model Validation, Methodology Acceptance Group and Group Risk Committee are reported to DNB for external approval only in the case of significant changes or when DNB specifically asks for them. The modelling and validation process is subject to periodic audit by Audit Services.

Table 8 - Overall Exposure at Default

(in millions of euros)	EAD
Central Governments and Central Banks	26,864
Institutions	29,358
Corporates	88,138
Retail	144,472
Sub-total	**288,832**
Non-credit obligation assets	4,907
Total	**293,739**

The total does not include Exposure at Default calculated for Securitisation and for Equity.

Table 9 - Geographical distribution of Exposure at Default

(in millions of euros)	The Netherlands	Other countries	Total
Central Governments and Central Banks	16,310	10,554	26,864
Institutions	9,768	19,590	29,358
Corporates	56,358	31,781	88,138
Retail	143,782	690	144,472
Total	**226,218**	**62,615**	**288,832**
Percentage of total	78.3%	21.7%	100%

The total does not include Exposure at Default calculated for Securitisation, Equity and other non-credit obligation assets.

Table 10 - Industry sector distribution of Exposure at Default

(in millions of euros)	Total	Percentage of total
Automobiles and Parts	528	0.2%
Banks	42,570	14.7%
Basic Resources	1,723	0.6%
Chemicals	795	0.3%
Construction and Materials	3,670	1.3%
Financial Services	9,519	3.3%
Food and Beverage	6,209	2.1%
Healthcare	5,554	1.9%
Industrial Goods and Services	28,009	9.7%
Insurance	547	0.2%
Media	541	0.2%
Oil and Gas	5,531	1.9%
Personal and Household Goods	953	0.3%
Private Individuals-Non-ICB	140,931	48.8%
Public Administration-Non-ICB	6,389	2.2%
Real Estate	11,189	3.9%
Retail	8,293	2.9%
Technology	673	0.2%
Telecommunications	490	0.2%
Travel and leisure	2,153	0.7%
Utilities	3,099	1.1%
Other	9,465	3.3%
Total	**288,832**	**100.0%**

The total does not include Exposure at Default calculated for Securitisation, Equity nor for other non-credit obligation assets.

Table 11 - Maturity distribution of Exposure at Default by Exposure Class

(in millions of euros)	≤ 1 year	between 1 year and 5 years	≥ 5 years	Total
Central Governments and Central Banks	9,513	6,855	10,496	26,864
Institutions	15,391	7,009	6,959	29,358
Corporates	45,913	22,421	19,804	88,138
Retail	23,531	2,668	118,273	144,472
Total	**94,348**	**38,953**	**155,532**	**288,832**
Percentage of total	33%	13%	54%	100%

The total does not include Exposure at Default calculated for Securitisation, Equity nor for other non-credit obligation assets.

Table 12 - Risk weight distribution of Exposure at Default by IRB Exposure Class (Standardised approach)

(in millions of euros)	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD	Total RWA
Central Governments and Central Banks	20,994		353		35		116	37		21,535	259
Institutions		716	5,521		10,484		300	9		17,031	6,732
Corporates			300	80	93		6,996	21		7,490	7,162
Retail				1,084	14	2,261	267	8		3,634	2,361
Total	**20,994**	**716**	**6,174**	**1,164**	**10,626**	**2,261**	**7,679**	**75**		**49,689**	**16,514**

The total does not include Exposure at Default calculated for Securitisation, Equity and other non-credit obligation assets.
The total does not include the RWA buffer of 2,012 million.

Table 13 - Exposure class and exposure type distribution of Exposure at Default (IRB approach)

(in millions of euros)	Exposure type distribution (EAD)			Total EAD	Total RWA
	Loans and Commitments	Securities Financing Transactions & Long Settlement Transactions	Derivatives		
Central Governments and Central Banks	4,897		436	5,333	386
Institutions	5,300	6,200	816	12,317	1,842
Corporates	74,755	2,144	3,756	80,655	41,709
Retail	140,836		2	140,838	27,658
Total	**225,789**	**8,345**	**5,010**	**239,143**	**71,595**

The total does not include Exposure at Default calculated for Securitisation, Equity nor for other non-credit obligation assets.

Table 14 - Grade category and LGD band distribution of Exposure at Default by exposure class (IRB advanced)

(in millions of euros)		Total		LGD 0% - 20%		LGD 20% - 50%		LGD 50% - ...%	
Exposure class	Grade category	EAD	RWA	EAD (% of total)	RWA (% of total)	EAD (% of total)	RWA (% of total)	EAD (% of total)	RWA (% of total)
Central Governments and Central Banks	Investment grade	4,928	283	82%	40%	16%	54%	2%	6%
	Sub-investment grade	404	103	85%	88%	14%	6%	1%	7%
	Default without provision								
	Default with provision	1				100%			
Total		**5,333**	**386**	**83%**	**53%**	**16%**	**41%**	**2%**	**6%**
Institutions	Investment grade	11,712	1,342	18%	4%	82%	96%		
	Sub-investment grade	492	500	36%	37%	64%	63%		
	Default without provision	92		99%		1%	10		
	Default with provision	20		100%					
Total		**12,317**	**1,842**	**19%**	**13%**	**81%**	**87%**		
Corporates	Investment grade	30,640	7,798	56%	35%	42%	60%	2%	5%
	Sub-investment grade	41,989	27,831	74%	54%	26%	46%		
	Default without provision	3,394	1,792	82%	73%	18%	27%		
	Default with provision	4,281	4,042	35%	19%	36%	39%	28%	42%
Total		**80,303**	**41,462**	**65%**	**48%**	**33%**	**47%**	**2%**	**5%**
Retail	Investment grade	105,501	7,844	86%	78%	6%	11%	8%	11%
	Sub-investment grade	32,834	16,141	64%	31%	11%	20%	24%	48%
	Default without provision	226		80%		20%			
	Default with provision	2,277	3,673	41%	14%	39%	26%	19%	60%
Total		**140,838**	**27,658**	**80%**	**42%**	**8%**	**18%**	**12%**	**39%**
Total	Investment grade	152,781	17,267	75%	52%	20%	41%	6%	7%
	Sub-investment grade	75,719	44,575	70%	46%	20%	37%	11%	18%
	Default without provision	3,713	1,792	82%	73%	18%	27%		
	Default with provision	6,579	7,715	38%	17%	37%	33%	25%	50%
Total		**238,791**	**71,349**	**72%**	**45%**	**20%**	**37%**	**8%**	**18%**

The total does not include Exposure at Default calculated for Securitisation, Equity, and Other non-credit obligation assets.
Specialised Lending are not included in the table above as their capital requirement is calculated using the slotting criteria.

Table 15 - Exposure at Default for equities

(in millions of euros)	EAD	RWA
IRB - Private equity exposures (190%)	241	463
IRB - Exchange traded exposures (290%)	2	-
IRB - Other equity exposures (370%)	324	1,200
Total IRB	**567**	**1,663**

Leveraged Finance

Leveraged Finance transactions are calculated using IRB methodology for part of the portfolio and Standardised methodology for the remaining part of the portfolio.

The following there is a breakdown of the exposures related to these transaction types.

Table 16 - Exposure at Default overview for leveraged finance

(in millions of euros)	
Funded Exposure	1,963
Unfunded Commitment	243
Total	**2,206**

Table 17 - Geographical distribution of Exposure at Default for leveraged finance

(in millions of euros)	
The Netherlands	1,930
Other countries	276
Total	**2,206**

Table 18 - Industry sector distribution of Exposure at Default for leveraged finance

(in millions of euros)	
Automobiles and Parts	106
Banks	
Basic Resources	40
Chemicals	113
Construction and Materials	100
Financial Services	107
Food and Beverage	191
Healthcare	30
Industrial Goods and Services	497
Insurance	
Media	
Oil and Gas	66
Personal and Household Goods	14
Private Individuals-Non-ICB	
Public Administration-Non-ICB	
Real Estate	352
Retail	334
Technology	81
Telecommunications	21
Travel and leisure	
Utilities	
Non-classified	155
Total	**2,206**

Controlling and monitoring exposure

The basis for effective credit risk management is the proper and timely identification of existing and potential credit risk inherent to any product, activity or counterparty. This process includes the gathering of relevant information concerning products offered, counterparties involved and all other elements that may influence the credit risk.

Assessing the credit risk of a proposed agreement consists of:
- analysis of the probability that the counterparty will fail to meet its obligations, including the risk classification on the ABN AMRO Uniform Counterparty Rating;
- analysis of the possibilities of fulfilling the counterparty's obligations by other means in the event that the counterparty fails to meet its obligations by itself;
- formulation of an independent and substantiated opinion.

Risk assessment is the responsibility of both the business and the risk control functions (commercial functions and risk management). They perform qualitative and quantitative analyses independently of each other which they use to formulate an independent and substantiated opinion. The assessment should show that a credit risk fits within ABN AMRO's credit risk policy (credit risk principles) and should take due note of the counterparty acceptance criteria which ABN AMRO has decide in its credit risk and compliance policies.

Counterparty acceptance criteria are the conditions that ABN AMRO applies to the acceptance of credit customers. These conditions reflect the generally acceptable credit risk profile that ABN AMRO has defined. ABN AMRO operates in accordance with sound, well-defined credit-granting criteria in order to protect its reputation and ensure its sustainability. ABN AMRO does not wish to be associated with dubious counterparties or credit facilities. The counterparty acceptance criteria include a clear indication of the bank's target market and a thorough understanding of the borrower or counterparty, as well as of the purpose and structure of the credit and the source of its repayment. Core credit risk parameters included in the estimation of expected loss, unexpected loss, and economic capital are, as previously mentioned, Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Authorised persons or committees make informed credit decisions, based on the opinion of a credit analyst. Delegation of credit authority is the partial transfer of the central credit decision-making authority to the appropriate management levels of credit risk management and the businesses. The delegation rules define the decision-making process regarding the acceptance and management of counterparty risk. The underlying principle in the rules is the need to achieve an appropriate balance (in terms of overall profitability) between two opposite drivers, i.e. maximising the decision-making autonomy of the businesses on the one hand and reducing unexpected counterparty risk on the other.

Monitoring of credit risk is the permanent and automatic control of credit exposures and events with the primary purpose of early detection and reporting of potential credit problems. Surveillance consists of daily monitoring of all individual credit risks. Comprehensive procedures and information systems monitor the condition of individual credits and single counterparties across the various portfolios. These procedures define criteria for identifying and reporting potential credit problems in order to ensure that they are subject to proper monitoring, possible corrective action and classification.

Credits with a high risk profile (infected, defaulted, and impaired credits) are transferred to the so-called Financial Restructuring & Recovery department (FR&R). FR&R devises strategies to rehabilitate an impaired credit or to increase the chance of final repayment. It also provides assistance to the businesses in dealing with non-impaired problem loans. FR&R is fully autonomous from the area that originated the credit.

Management of problem loans and impaired loans

Problem loans are primarily exposures for which signals have been detected indicating that the counterparty may become impaired in the future.

Problem loans are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimise the monitoring and review of these loans. Problem loans with ratings 7 and 8 according to the Bank Uniform Counterparty Rating (UCR) are impaired. Other problem loans are still non-impaired but will likely be impaired in the near future. The accrued risk profile of problem loans makes it imperative that the risk management function, and in particular the Financial Recovery & Restructuring department, is intensively involved in handling these loans.

Table 19 - Impairments

(in millions of euros)	Impairments
Amount of provisions for standardised	-150
Amount of provisions for IRB	-4,174
Total amount of provisions for securitisation	-58
Total	**-4,383**

Figures represent book value.

Table 20 - Geographical distribution of past due and impaired loans

(in millions of euros)	Past Due Exposures	Impaired Exposures	Impairments	Change in impairments
The Netherlands	4,680	6,377	-2,779	-763
Other countries	1,110	2,454	-1,571	-74
Total on-balance	**5,790**	**8,831**	**-4,350**	**-837**
Total off-balance		**468**	**-33**	
Grand Total	**5,790**	**9,299**	**-4,383**	**-837**

Exposure = book value (no EAD reported)
Past Due = amount due for payment and not impaired (book value). Past Due > 90 days is also accounted for under this heading.
Impaired exposure = gross impaired credit exposure (book value; impairments and incurred but not identified (IBNI) excluded)
Impairments = specific impairments and incurred but not identified (IBNI)
Change in impairments = Changes in specific impairments and incurred but not identified (IBNI)

Past due credit exposure

A financial asset is past due if a counterparty has failed to make a payment when contractually due or if it has exceeded an advised limit or has been advised of a limit smaller than its current outstanding. Financial assets that have reached the “90-days past due” trigger are automatically classified as impaired.

Impaired credit exposure

A financial asset is classified as impaired if one or more loss events are identified which have a negative impact on the estimated future cash flows related to that financial asset.

Events considered to be loss events include situations where:

- the counterparty is unlikely to pay in full its credit obligations, without recourse by ABN AMRO to actions such as realising collateral;
- the counterparty has a material credit obligation which is past due for more than 90 days (overdrafts will be considered overdue once the customer has exceeded an advised limit or been advised of a limit smaller than that currently outstanding).

In practice, ABN AMRO classifies loans as impaired in response to a series of obligatory and judgemental triggers that occurred after the initial recognition of the asset (a “loss event”) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Obligatory triggers result in the counterparty being classified as defaulted and include bankruptcy, financial restructuring and 90 days past due. Judgemental triggers include, but are not limited to, elements such as negative equity, regular payment problems, improper use of credit lines and legal action by other creditors. They could – but do not necessarily – result in the counterparty being classified as impaired.

Loan or debt restructuring is the change of one or more terms of an existing loan or debt agreement for economic or legal reasons related to the debtor's financial difficulties. The change can imply, among other things, modification of the repayment schedule and/or interest rate or an addition of sureties or borrowers. In order to limit losses, the change can imply that the creditor grant a concession to the debtor that he would not otherwise consider, e.g. an absolute or contingent reduction of interest rate, debt amount or accrued interest or a combination of the three. A loan or debt restructuring process in itself does not constitute a trigger for changing a loan's status from impaired to normal; restructured loans or debts therefore retain their impaired status after restructuring.

Impairment for specific credit risk is established if there is objective evidence that ABN AMRO N.V. will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairments is the difference between the carrying amount and the recoverable amount, i.e. the present value of expected cash flows and the collateral value less selling costs, if the loan is secured.

At present, ABN AMRO does not analyse impaired exposure by Industry codes on a consolidated level.

Incurred but not identified defaults

Incurred but not identified (IBNI) impairments on loans represent losses inherent in components of the non-defaulted portfolio and the defaulted portfolio with UCR 6 that have not yet been specifically identified.

The scope of the calculation of the IBNI impairments covers all financial assets found not to be individually impaired from the categories Loans and receivables - banks, Loans and receivables - customers and trade receivables. All related off-balance items such as unused credit facilities and credit commitments are also included.

The IBNI calculation combines the Basel II concept of expected loss on a one-year time horizon with intrinsic elements such as loss identification period (LIP), cycle adjustment factor and expert views.

Credit risk mitigation

Risk mitigation is the technique of reducing credit risk associated with a credit facility or exposure. ABN AMRO applies the following to achieve risk mitigation techniques:

- netting of debtor and creditor balances where a formal agreement with the customer, including a legal right of set-off, which is in line with regulatory and internal policy justifies such;
- net exposure on most over the counter (OTC) derivatives and some other types of transactions is further mitigated by the exchange of financial collateral;
- guarantees and similar instruments (e.g. credit insurance) from related and third parties are used in the management of credit portfolios typically to mitigate credit concentrations in relation to an individual obligor, a borrower group or a collection of related borrowers;
- credit portfolio can to a certain extent be asset-backed, utilising legal pledges/security vested on real assets ranging from residential real estate in its mortgage business, ship mortgages in its ship financing department to pledges on stocks and debtors in its general lending departments;
- credit derivatives and securitisation of assets are used to mitigate the credit risk in the portfolio.

ABN AMRO primarily reduces credit risk by obtaining collateral. Security (collateral) is any commitment made or privilege given by a counterparty or third party to which ABN AMRO N.V. can seek recourse in the event of the counterparty's default in order to reduce credit losses. The lending activity is never purely based on collateral. Risk mitigation factors are always regarded as a secondary source of repayment.

ABN AMRO has several policies in place that specifically define which types of collateral are acceptable to the bank as credit risk mitigators and which provide guidelines and legal requirements regarding the valuation, control and monitoring of such collateral. Requirements are outlined with which collateral must comply in order to be eligible for the reduction in economic and regulatory capital according to Basel II.

To correctly assess the extent to which the collateral mitigates the credit risk, the collateral is valued according to a specified valuation method, properly documented and monitored.

Besides collateral, ABN AMRO uses third-party guarantees to mitigate risks. Guarantees are taken from banks, government entities, export credit agencies, and corporate entities. The credit quality of guarantors is initially assessed and continuously monitored to ensure their value in risk mitigation is correctly assessed. Standby letters of credit are also given value in LGD models. Conditional guarantees are accepted and are included as appropriate in PD and LGD estimates (e.g. performance bonds, completion guarantees). Personal guarantees are accepted in the normal credit process, but, unless enhanced by collateral, only taken into account pro memory.

Valuation

Collateral value is determined by means of a prudent valuation approach based on a range of criteria, including the nature and specific type of the collateral, its liquidity and the volatility of its price. It also incorporates the forced sale context in which the collateral would be required to be realised and the degree of priority of ABN AMRO rights.
When determining the value of the collateral, the following factors are taken into consideration:

- all potential costs for the liquidation of the collateral;
- preferential creditors, e.g. tax or government authorities, employees;
- level of priority right to the collateral;
- if the collateral is established on a "pari passu" basis with other parties.

Documentation and Control

The legal mechanism ensures that ABN AMRO has clear rights over the collateral, which are legally effective and enforceable at all times.

For each collateral type and jurisdiction, procedures for the timely liquidation of collateral are in place to ensure that any legal conditions required for declaring the default of the counterparty and liquidating the collateral are observed and that collateral is liquidated promptly.

Monitoring

Collateral is monitored regularly to ensure that it remains legally effective and enforceable and of sufficient value. Depending on the type of collateral, periodical reassessment of the value is required. The frequency of monitoring for all types of collateral is based on value volatility, significant market changes or significant decrease of creditworthiness of the counterparty.
The monitoring and review of the collateral value takes place in addition to the regular reassessment of the creditworthiness of the obligor as required in the credit review process.

Collateralisation is regarded as a complement to, and not a replacement for, credit analysis of the counterparty. The monitoring and review of the collateral value takes place in addition to the regular reassessment of the creditworthiness of the obligor as required.

Counterparty credit risk

Counterparty risk is the risk that a borrower or counterparty will fail to perform as agreed. Counterparty risk arises primarily from borrowers, reinsurers and bond issuers, but also includes trading counterparties and sovereign counterparties that are unable or unwilling to meet their obligations.

Counterparty Rating

ABN AMRO makes an assessment of the risk that a counterparty will default with respect to its financial obligations to the bank. This assessment is translated into an internal rating referred to, by ABN AMRO, as Uniform Counterparty Rating ("UCR") all together effected in a UCR Master Scale. Each counterparty is assigned a UCR is assigned from the UCR Master Scale ranging from UCR 1 to 8. If there is no internal assessment available, the bank relies on external ratings.

Each counterparty rating is expressed as a percentage, the probability of default or PD, which is the probability that the counterparty will go into default within a 1-year time horizon.

Table 21 - Exposure at Default for OTC derivatives

(in millions of euros)	
Gross positive fair value	12,011
Netting benefits	7,045
Collateral held	932
PFE add-on	6,621
EAD	10,654

PFE stands for Potential Future Exposure

Methodology to assign internal capital and credit limits

Calculation of the counterparty credit exposure within ABN AMRO for derivative instruments is different from the calculation methodology used for repurchase and securities borrowing & lending transactions and margin lending transactions.

The exposure calculation of derivative instruments is based on the mark-to-market (MtM, i.e. current exposure) plus an add-on for potential future exposure. The add-on is calculated to cover 99% of the possible MtM movement over the deal tenor and is determined by several parameters, such as type of derivative product (underlying), deal tenor, currency and the absence/presence of netting (ISDA, RFD) and collateral agreements (CSA). Under the bank's policy, add-on tables are updated periodically. After an update, the resulting new tables can be used for a maximum period of 12 months.

As the presence of a CSA has an impact on the exposure calculation, there is a dedicated collateral management function that independently monitors all collateral positions, ensuring that margin calls for collateral (both to be posted and to be received) are followed up promptly. ABN AMRO has no CSA agreements in place which would lead to an additional collateral call in the event of a downgrade of ABN AMRO except for securitisation transactions where a downgrade could lead to an additional collateral posting. There are a limited number of contracts which have a break clause in the case of certain rating events.

Concerning repurchase and securities borrowing & lending transactions as well as margin lending transactions, an Internal Model Method (cf. CRD 2006/48/EC, Annex III, Part 6) is used – both for regulatory capital calculations and for internal purposes.

For repurchase and securities borrowing & lending transactions, the potential future exposure is based on VaR calculations instead of add-on tables, where the total credit exposure is calculated as MtM plus VaR times a multiplier that is dependent on the (perceived) time needed to close positions in the case of default.
For margin lending transactions the approach is similar, but instead of a full-fledged VaR calculation, a grid of correlated (stress) movements is applied to the transactions and the most disadvantageous outcome taken as the potential future exposure.

The exposure calculations as explained are also used for the assessment of economic capital. Validation of counterparty credit risk models follows the same procedures that apply to all credit risk models.

Wrong-way risk

This type of risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. There are two types of wrong-way risk:

1. Specific wrong-way risk
   Specific wrong-way risk arises through poorly structured transactions e.g. those collateralised by own or related company shares.
2. General wrong-way risk
   General wrong-way risk arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the value of derivative transactions. E.g. fluctuations in interest rates may cause changes in the value of derivatives transactions with a counterparty but could also impact the creditworthiness of that counterparty.

As there are different degrees of correlation, there are different shades of wrong-way risk. As for specific wrong-way risk, ABN AMRO will in general not engage in transactions where the counterparty and the underlying issuer are one and the same. Furthermore, ABN AMRO will be prudent in considering transactions where this correlation is less obvious e.g. transactions where counterparty and underlying issuer are in a similar industry, or the same country or geographical region.

Note that counterparties often provide collateral pools comprised of different security types, issuers, industries and geographies instead of single issuer stocks and or bonds. This diversity contributes to limiting the risk of potential exposure to a degree of (specific) wrong-way risk.

General wrong-way risk is more difficult to manage as it involves macroeconomic forces whose developments are beyond the control of individual companies, industries, countries or even economic or financial unities. Although the macroeconomic factors themselves are difficult to influence, ABN AMRO anticipates the potential credit risk by having a comprehensive credit risk framework in place including rigorous approval procedures and, if and when required, demanding adequate and sufficient guarantees and collateral while maintaining effective and efficient collateral management.

Credit risk concentration

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to ABN AMRO's credit risk strategy of maintaining granular, liquid and diversified portfolios.

It is ABN AMRO's objective to operate a diversified credit portfolio. To avoid credit risk concentration, central risk management aims to diversify the credit risk across single clients / groups of clients, product risk industry clusters and countries and may set maximum levels for subgroups in either category.

ABN AMRO further applies the concept of "one obligor exposure". This implies that certain groups of connected counterparties are considered to be a single counterparty in the management of credit risk exposure. Limit setting is in place based on the "one obligor exposure" principle.

The bank further applies industry concentration limits for 21 industry or Industry Classification Benchmark (ICB) clusters. These concentration limits are proposed and regularly reviewed by Central Risk Management and approved by Group Risk Committee. Industry concentration limits are a function of risk/reward and are closely monitored (by business and central risk management). The bank pursues an active, though limited, strategy in which it can lever on its expert knowledge base in particular niche markets, such ECT, Clearing and ID&JG.

Country risk

ABN AMRO has a number of businesses that operate in foreign countries that lead to credit exposures in these countries. To avoid a major loss as a result of events that affect the credit exposures in foreign countries, effective country risk management is needed. This involves continuous assessment of the risk profile of countries and the quantum and nature of the bank's exposure to such countries.

Country risk is defined as the risk of losses due to country-specific events or circumstances, the measurement of which is focused on cross-border exposure. Cross-border risk is defined as the risk that funds or goods cannot be transferred out of a risk country as a result of action(s) by the authorities of the country or by other events impeding the transfer.

The country risk policy is aligned with the bank's strategy and risk appetite and applies to all entities.

The bank manages the risks through individual country analysis and control of exposure concentration. Decision-making rests with authorised individuals and senior credit committees, informed by opinion and advice from country risk/macro-economics specialists through the bank's Country Risk Committee. The country risk exposure profile is presented to senior management and local senior credit committees on a regular basis and deteriorating risks within a country are subject to an additional risk assessment/control framework.

banking book risk 7

Banking book risk is defined as the risk that the value of ABN AMRO's financial assets, other than those categorised as trading assets (the banking book), decreases and/or that the value of the bank's liabilities increases, due to changes in market rates. The main examples of banking book risks are interest rate risk, pension liability risk and, to a lesser extent, foreign exchange risk.

Interest rate risk management

The overall objective of interest rate risk management is to manage current and future earnings sensitivity due to interest rate risk exposure.

ALCO is responsible for the management of interest rate risk (banking book) within the bank. The execution of decisions and day-to-day management of the positions is delegated to ALM/Treasury.

ABN AMRO measures, monitors and controls its interest rate risk using the following indicators:

- Net Interest Income;
- Duration of equity;
- Value-at-risk.

Net interest income

Net interest income (NII) is the difference between revenues generated by interest-earning assets and the cost of servicing (interest-burdened) liabilities. The NII consists of the commercial margin and the interest rate risk mismatch. The bank's interest result depends mainly on the margin, which has a low correlation with the level of interest rates. There is, however, a relationship between the level of market interest rates and the level of margin. In a higher yielding interest rate environment, the bank benefits from products that are not rate-sensitive, such as retail current accounts. By the same reasoning, the bank has short-term funding, meaning lower interest rates are beneficial for the bank. On balance, the bank benefits from higher interest rates.

Part of the bank's interest result is related to the mismatched position. For this mismatched position the steepness of the curve is more important than the level of the curve. ABN AMRO has a methodology to assess the development of the NII under different scenarios of yield curve development. The NII is negatively impacted when rates rise, especially when the short end of the yield curve increases. The short-end positions are part of the money markets book and are monitored and managed on a daily basis.

The risk of changes in the NII is measured on a scenario-based analysis. The NII-at-Risk metric indicates the change in net interest income based on the next 12 months, when comparing the NII calculated using a constant yield curve and the NII calculated using a yield curve that is gradually shifted to a total of 200 bps. The net interest income is negatively impacted when rates rise.

Duration

The duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change of the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.

Value-at-Risk

Value-at-Risk (VaR) is a methodology for assessing interest risk exposure in a single number. VaR is a statistical measure that estimates potential losses and is defined as the predicted maximal loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

More details on banking book risk are provided in the Annual Report 2010 in the Risk Management section.

Pension liability risk

Pension liability risk is the risk that the bank must provide additional funds to the pension fund of its employees as a result of guarantees and commitments. ABN AMRO Bank sponsors a number of pension schemes for its employees, under which it has an obligation to pay contributions for the aggregate pension rights of participants in these pension schemes.

Further information on pension liability risk can be found in the Annual Report 2010.

market risk 8

Definition

Market risk is the potential for loss resulting from unfavourable movements in prices or rates arising from trading or holding positions in financial instruments in the trading book. Market risk originates from various sources including:

- changes in interest rates affecting for example the value of securities, interest rate derivatives, and foreign exchange derivatives;
- changes in prices affecting for example the value of shares, commodities, commodities derivatives, and currencies;
- changes in various volatility types affecting for example the value of options on bonds, stocks, interest rate derivatives, and foreign exchange derivatives.

Market risk management

Trading risk

ABN AMRO's business strategy includes the facilitation of client orders, acting as a market maker in key markets, and being a liquidity provider to clients. The business strategy involves exposure to trading risk, as it is not always feasible or economically desirable to execute perfect hedges for each and every customer order. To provide assurance that the bank's trading activities are consistent with its stated client-centred business strategy and moderate risk profile, a detailed risk management framework has been developed in order to control trading risk.

ABN AMRO's trading risk principles and framework are summarised below.

Governance

Risk-taking decisions are all taken by duly authorised committees or individuals, with the full support of senior risk managers. All risk managers are part of an independent risk management organisation enabling independent oversight of the business.

Risk appetite

Risk appetite expresses the desired level of total risk that ABN AMRO wishes to take. The definition of this appetite is the result of a collaborative exercise between Risk and the business. The Managing Board sets the risk appetite for the bank and the risk appetite framework is summarised in the Risk Charter. The Risk Charter states, among other things the bank's target return and its tolerance volatility for placing capital at risk.

Trading mandates

The purpose of the trading mandate documents is to unambiguously state which products may be traded, and under what circumstances they may be traded. Reviews of all trading mandates are conducted by duly authorised committees at least once a year and, where appropriate, any or all of these mandates may be changed. In addition, part or all of a trading mandate can be suspended or revoked at any time if required. In connection with the trading mandate there is a trading limit structure, a detailed document that identifies all relevant limits for trading.

Monitoring and controlling

ABN AMRO uses Value-at-Risk (VaR) models for measuring, controlling and reporting trading risk exposure against limits. The VaR methodology used is based on historical simulation. As VaR does not fully capture extreme market events, stress tests and scenario analyses are also conducted. Stress tests and scenario analyses are both subject to limits. Further measures and limits are in place for market sensitivities and basis risks.

Each position in the portfolio is subject to daily full revaluation, which ensures for full reporting of all positions relative to limits. It also ensures limit breaches are investigated and, where appropriate, escalated for resolution. Daily monitoring of the portfolio also ensures unusual items are promptly identified.

Valuation of trading risk positions

Positions held in the trading book are prudently valued daily on a mark-to-market or a mark-to-model basis in case valuations have to be benchmarked, extrapolated or otherwise calculated from market input. Periodic valuations adjustments are made whenever appropriate.

All pricing models are independently validated by Risk, after which they are approved by duly authorised committees. Furthermore, all traded products include an element of counterparty credit risk. With respect to derivatives transactions, this element is not explicitly priced into the product. To ensure that the credit risk is fully reflected in the reported valuation, ex-post credit valuation adjustments are made.

Model review

In order to facilitate risk monitoring and enable accurate financial reporting, risk models are used to monitor for example the mark-to-market valuation of a traded product, the contingent credit exposure of the bank to a counterparty, and the VaR of a portfolio. Given their limitations, risk models and financial analytics always need to be monitored for effectiveness and relevance. The simplification that risk models must necessarily employ comes at the expense of accuracy and structural integrity under stress.

New models are reviewed by an independent validation team and approved by duly authorised committees. Furthermore, existing models are reviewed and approved on an annual basis. As part of the review, models are assessed as to whether they behave appropriately under the current market conditions. If required, models are adjusted or model valuation adjustments are applied.

Stress testing and scenario analysis

VaR does not fully capture extreme market events. Consequently there is a need for additional risk metrics which capture the potential exposure of ABN AMRO's trading books to events not fully captured by VaR, e.g. concentration, correlations and basis risk, illiquidity, jump to default and recovery rate uncertainty. The Risk department therefore conducts sensitivity tests, multi-dimensional stress tests, historical scenarios, and hypothetical future scenarios. Stress tests are subject to hard limits, i.e. immediate action is required upon breach of limit. Scenarios are subject to soft limits, i.e. a breach of limit triggers a mandatory management review.

VaR Back testing

Back testing entails comparing calculated VaR outcomes with actual and hypothetical profit and losses. It is an important tool for assessing the adequacy of the VaR model as a risk measurement system. Where the internal model has the approval of the Dutch central bank, the purpose of back testing is also to help assess whether the capital provided for by a VaR based model is sufficient to absorb the potential losses. Back testing on the trading books is performed daily for internal reporting purposes.

Calculation of regulatory capital for market risk in the trading book

ABN AMRO's objective is to use the internal model method approach for the calculation of market risk capital requirements where feasible.

Following the merger with Fortis Bank Nederland, ABN AMRO utilises the Standardised Approach as a general rule, except for the equities portfolio from Fortis Nederland Bank which is still reported under the Internal Model Approach. ABN AMRO intends to align the Basel II reporting frameworks of the two legacy banks in a time frame which is aligned to the integration of the Markets activities. ABN AMRO is in the process of preparing an application for DNB that, once approved, will allow the bank to calculate the regulatory capital adequacy requirement for the entire trading book on the internal model method basis.

Table 22 - Market risk

(in millions of euros)	Capital requirement		Total Capital Requirement	Total RWA
	SA	IMA		
Position risk in traded debt instruments	144		144	1,794
Position risk in equities		25	25	309
Foreign Exchange risk	15		15	188
Commodity risk				
Total	**159**	**25**	**183**	**2,290**

operational risk 9

Definition

All companies, including banks, are subject to operational risk due to the uncertainty inherent in all business undertakings and decisions.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and compliance risk, but excludes strategic / business and reputation risk. Some examples of operational risk are wrongful execution of an order, fraud, litigation for non-compliance with law or client-specified guidelines, natural disasters and terrorism. Mitigating actions include risk avoidance and reduction, and transfer or improving control.

An overview on the capital requirements for operational risk now follows.

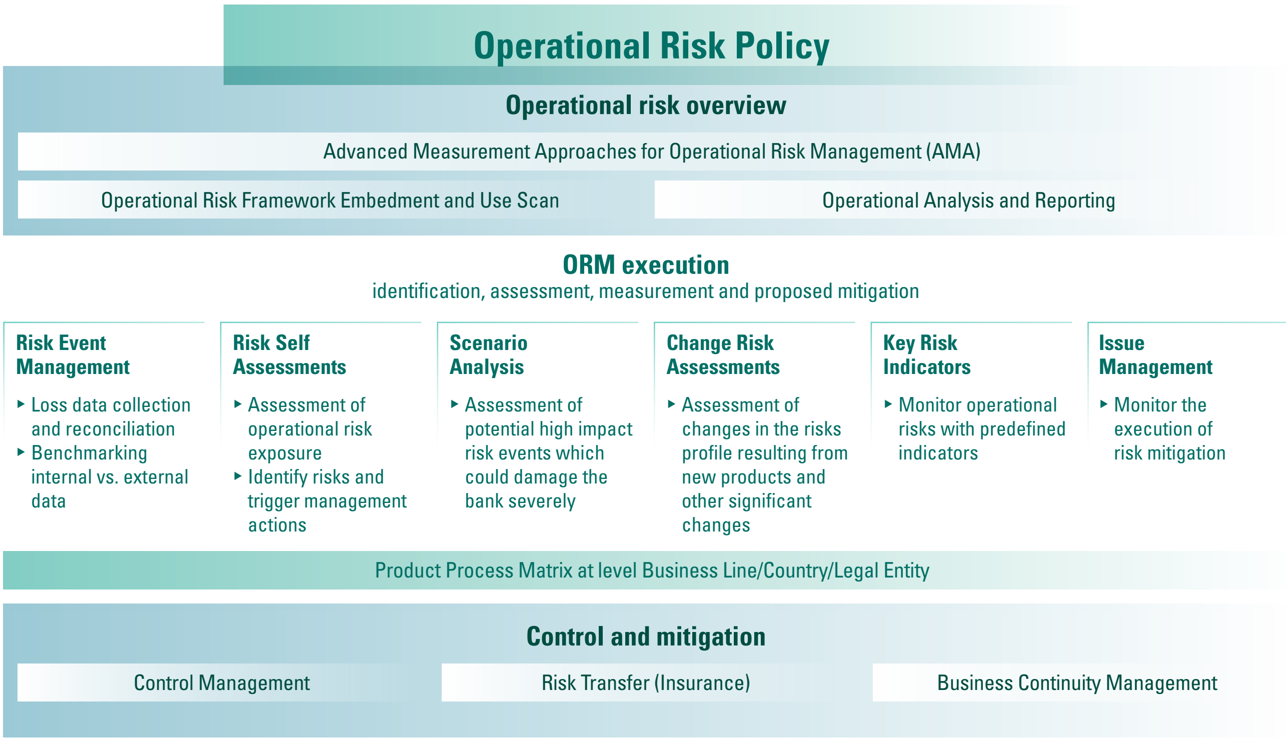
Table 23 - Operational risk

Methodology	Capital Requirement	RWA
Basic Indicator Approach	20	252
Standardised Approach	717	8,959
Advanced Measurement Approach	420	5,250
Total	**1,157**	**14,461**

Risk management framework for operational risk

Introduction

Risk Management has set up a framework for operational risk management and control, covering all dimensions of operational risk that include policies for the governance of operational risks, for the identification, assessment, measurement and reporting of those risks and of their mitigation factor. Implementation and use of the framework are assessed periodically.



One bank-wide framework

The Group has opted for an all-embracing, single operational risk management framework for the entire bank. This framework supports the organisation in achieving increased operational risk awareness, monitoring operational risk effectively and measuring the operational risk profile and its associated own funds requirement.

To enable the approach towards operational risk management, a comprehensive risk management organisation and operational risk policy have been consistently implemented for the entire bank, at legal entity and business levels. Global and local operational risk managers have been assigned to all bank-related businesses (including support functions) and relevant legal entities.

Management control is considered to be an integrated part of the framework through which all management teams up to the Managing Board and assess the risks that could jeopardise their business objectives. This process ultimately results in the Management Control Statements.

Controlling and mitigating operational risk

The Group has a variety of instruments in place to control and mitigate operational risk. Risk assessments, loss data analysis and key risk indicator movements enable the formalisation of actions to further control operational risks.

In the framework, risk assessments at strategic and operational levels form a key instrument for risk management; especially during the separation and integration process, an intensive risk assessment programme was implemented throughout the organisation to identify operational risks. Moreover, the use of risk assessment data is a key element in ensuring the embedment and use of the operational risk framework at all levels in the organisation.

Centrally coordinated operational risk mitigation techniques are business continuity management, control management and insurance. Embedment of the operational risk practices throughout the organisation is accounted for via Management Control Statements.

In order to ensure the coverage of all operational risks and an adequate level of own funds, the risk management organisation assumes the second line of defence. In this capacity, the qualitative aspects of the risk assessments are reviewed and the quantitative results are extensively benchmarked against objective risk profiles based on factual internal and external loss data. For these purposes, internal and external loss profiles are extensively analysed. When the assessed risk profile deviates from internal loss profiles or industry benchmarks, an explanation must be available. Alternatively the analysis can result in an amendment of the risk profile, hence it will alert the business to a misperception of their risk profile.

Management control statements

In line with industry practice, the bank has a process in place by which the bank's senior management analyses and reports on the effectiveness of internal controls (in the broadest sense) and defines necessary actions to remedy any significant failings or weaknesses in the internal risk control process. Assessments of operational risk and business risk are part of that process, in addition to information regarding the other types of risk, and reports by Compliance and Audit are used as input for such assessments. Various risk categories and business objectives are assessed In Strategic Risk Assessments, Based on these risk assessments, management teams sign their Management Control Statements and formulate action plans (if deemed necessary) to improve steering/control. The Management Control Statement is an attestation, made every year-end, of the functioning of the risk management and internal control system during the year. Risk management coordinates quarterly reporting on the follow-up to those action plans.

Business continuity management

Business continuity management (BCM) is a management process that identifies potential threats to an organisation and the impacts on business operations that those threats, if realised, might have, and that provides a framework for building organisational resilience with the ability to respond effectively to safeguard the interests of its stakeholders, reputation, brand and value-creating activities.

Risk transfer through insurance

ABN AMRO has corporate insurance programmes in place to mitigate losses of specific operational risks and to transfer these risks to the external market. In line with industry practices, ABN AMRO purchases the following insurance policies from third-party insurers:

- combined Bankers Blanket Bond, Computer Crime and Professional Liability Insurance;
- directors and Officers Insurance.

Corporate Insurance is in charge of coordinating these corporate insurances and is the single point of contact to the insurers regarding claim handling and notification of claims with respect to this programme. They monitor claim handling at central level. Furthermore, Corporate Insurance manages insurance programmes covering specific risks in the Netherlands or specifically for ABN AMRO.

Business operational risk managers are responsible for ensuring that insurance programmes are in place for their businesses. To this end, business operational risk managers liaise with the Corporate Insurance department.

Information security

For a financial services provider like ABN AMRO, information is critical. Financial services are knowledge- and information-intensive and reliable information is essential to the bank's success. Information must therefore be protected at all times against a wide range of threats. ABN AMRO does this by establishing a structured information security approach to assure the confidentiality, integrity and availability of information.

The bank's policies and standards on information security define the organisational framework, management and staff responsibilities and the information security directives that apply throughout ABN AMRO, the vendors to whom handling of information has been outsourced and to third parties with whom the bank exchanges information.

Furthermore, ABN AMRO extracts specific information security controls from existing international best practices like ISO/IEC 27001 and ISO/IEC 17799 – 2005.

- businesses and support functions pursue the bank's information security policies on a "comply or explain" basis. Information Security is managed at operational level by business information security officers for each business line or function;
- defining information security strategy and policy is the responsibility of the Corporate Information Security Officer (CISO). Formal approval and prioritisations are delegated by the Managing Board of Directors to the Group Risk Committee (GRC);
- the Extended Management Team Operational Risk, comprising senior risk managers from the businesses and support functions, manages information security implementation at strategic level: the CISO function and BRO TOPS (Technology, Operations & Property Services) function are combined into a single function, and hence the CISO participates in the Extended Management Team Operational Risk;
- the CISO is responsible for the overall information security coordination within the bank. The CISO maintains the information security community to support the business lines and support functions and to monitor information security practices in ABN AMRO.

The Corporate Information Security Officer has a hierarchical reporting line to the head of IT Solutions & Services and a functional line to Operational Risk Management Central.

securitisation 10

The following information is constructed by applying the guidelines outlined in the January 2010 publication of "Industry good practice guidelines on Pillar 3 disclosure requirements for securitisation", as published by The European Banking Federation, the London Investment Banking Association, the European Savings Banks Group and the European Association of Public Banks and Funding Agencies.

Objectives in relation to securitisation activity

ABN AMRO uses securitisation transactions to diversify its funding sources, manage its liquidity profile, manage its credit risk exposure and obtain capital relief. ABN AMRO is mainly involved in own originated transactions.

The banks distinguishes the following types of structures:

- True Sale (traditional) Securitisation
  A foundation ("Stichting") incorporates a Special Purpose Entity (SPE) resulting in a bankruptcy remote structure. ABN AMRO transfers a portfolio of receivables to the SPE. As a consideration, ABN AMRO receives a purchase price from the SPE, the SPE funds the purchase by issuing notes. The notes pay a fixed or floating rate coupon.
- Synthetic Securitisation
  ABN AMRO enters into a Credit Default Swap (CDS) with a third party. Under the CDS, ABN AMRO pays a CDS premium to the counterparty and in return receives from the counterparty credit protection payments related to a portfolio of reference assets. Such counterparty can also be a Special Purpose Entity which issues credit-linked notes. The proceeds of the issue are kept in a deposit as collateral for the SPE's obligations under the CDS.

Depending on the purpose of the transaction, ABN AMRO may retain the notes issued by the SPE or transfer notes to third party investors. ECB-eligible retained notes can be pledged with the ECB and provide liquidity. Notes sold to third party investors may transfer credit risk and provide funding.

Asset classes

ABN AMRO securitises two types of receivables: (i) residential mortgages and (ii) loans to small and medium-sized enterprises (SME). The relevant residential mortgages have been originated by ABN AMRO or one of its subsidiaries in the Netherlands. Mortgages have been originated by the following subsidiaries:

- ABN AMRO Hypotheken Groep B.V.
- MoneYou B.V.
- WoonNexxt Hypotheken B.V.
- CombiVoordeel Hypotheken B.V.
- Albank B.V.
- MNF Bank N.V.
- Direktbank N.V.
- Quion 9 B.V.
- Oosteroever Hypotheken B.V.

SME loans are loans to Dutch small and medium-sized enterprises and the securitised loans are all originated in the Netherlands.

Roles played by the credit institution in the securitisation process

ABN AMRO is active in various roles with regard to securitisation activities, which vary per individual transaction:

- Originator
  ABN AMRO fulfils the role of originator for those transactions including assets originated by ABN AMRO. In the case of a True Sale Securitisation, ABN AMRO or a subsidiary, as the case may be, sold the relevant receivables to the SPE. Depending on the specifics of the underlying documentation, the seller is obliged to repurchase certain receivables, e.g. if a receivable no longer meets the relevant eligibility criteria. As per termination of the transaction the seller has a first right of refusal to repurchase the receivables from the SPE.
- Servicer
  The SPE owns a portfolio of receivables but has no capabilities to service this portfolio. It will therefore render servicing capabilities from a third party.
  ABN AMRO is appointed as the servicer for all relevant securitisation transactions;
- Swap Counterparty
  Two types of swaps are relevant for the securitisation transactions:
  - The SPE may enter into an Interest Rate Swap (IRS) hedging the SPEs interest rate risk resulting from the mismatch between the interest received on receivables and the coupon paid on the notes issued. ABN AMRO is the Swap Counterparty receiving the interest on the receivables and paying the coupon on the notes.
  - A Credit Default Swap (CDS) by means of which the SPE sells credit protection on the reference portfolio to ABN AMRO.
- Liquidity Facility Provider
  A liquidity facility may be provided to the relevant SPE by ABN AMRO. A liquidity facility provides cash to the SPE in case of a temporarily liquidity shortfall. Repayment of the liquidity facility after a drawing is senior to the other liabilities of the SPE, i.e. senior to its obligations to the note holders;
- Investor
  ABN AMRO is – on a limited basis – an investor in third-party securitisations through investments in third-party issued securitisations.
- Other
  The bank accounts and/or cash deposits of the SPEs are held with ABN AMRO.

Approaches to calculate risk-weighted exposure

- Retained transactions
  No risk-weighted asset reduction will be applied to securitisation transactions of which all notes have been retained;
- Other transactions
  For securitisation transactions of which notes have been sold to third parties, the credit risk related to the securitised loans has been transferred to the note holders and RWAs for the related loans is set to zero. ABN AMRO may, however, retain certain risk positions. For calculating the capital requirements on these retained positions, the Internal Ratings Based approach (IRB) is used. Positions for which external ratings are available or for which ratings can be inferred are reported via the Ratings Based Approach (RBA).
  In all other cases the reporting of positions is based on the Supervisory Formula. Eligible external ratings on securitisation positions from Moody's, Standard & Poor's, Fitch Ratings and/or DBRS are applied for the RBA. An assessment is performed if significant risk transfer has been achieved.

Accounting policies for securitisation activities

- Treatment of True Sale Securitisation transactions as sales or financing and recognition of gains on sales
  SPEs related to securitisation transactions are consolidated based on control requirements prescribed in IAS 27 Consolidation and separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Whether a True Sale Securitisation transaction is treated as a sale or financing transaction depends on whether the derecognition criteria of IAS 39 Financial instruments are met. The main criteria for derecognition are rights to the cash flows, risks and rewards, and control. Assets that continue to be recognised are a financing transaction; if assets are derecognised it is a sale. There is only a gain or loss if assets are derecognised. Assets transferred in a True Sale Securitisation transaction with SPEs are transferred at book value and no gain or loss is recognised.

- Treatment of synthetic securitisations;
  Synthetic securities are treated similar to non-synthetic securitisations. Any derivatives are recorded in accordance with IAS 39.

Overview of securitisation positions and securitised assets

The table below outlines all securitisations involving ABN AMRO originated assets. The tables in the following section only contain data on securitised assets, notes and securitisation positions which are reported applying Articles 94 to 101 of the securitisation framework within the CRD.

Table 24 - Securitisation overview of own originated assets

(in millions of euros)

	Total assets securitised	Total assets included in transactions which are reported applying the CRD securitisation framework	Notional amount of securitisation positions in CRD securitisation framework
True Sale securitisations of mortgage loans	69,496	47,846	26,136
True Sale securitisations of SME loans	2,459	2,459	2,150
Synthetic transactions of mortgage loans	19,850		
Synthetic transactions of SME loans	8,774	7,013	7,065
Total	**100,580**	**57,318**	**35,352**

ABN AMRO has transferred 38% of the notes relating to True Sale securitisations to external parties.

The tables in the following sections only contain data on securitised assets, notes and securitisation positions which are reported applying Articles 94 to 101 of the securitisation framework within the CRD. The following sections contain tables which provide further details on:

- retained and purchased securitisation positions
- securitised asset portfolios
- total amount of notes issued per SPE

Details on retained and purchased securitisation positions

The following tables give details for securitisations in which ABN AMRO acts as originator or investor. For these tables the amount of securitisation positions reported are based on the regulatory exposure values calculated in accordance with the regulatory guidelines prior to the application of credit risk mitigation. Value adjustments relating to securitisation positions which might lower capital deductions are not taken into account in the disclosed amounts.

The synthetic securitisation positions in which ABN AMRO acts as investor (EUR 1.5 billion) relate to a specific financial guarantee for 75% of the credit exposure of assets which are transferred to Deutsche Bank Nederland N.V. as part of the EC Remedy (the credit umbrella).

The table below outlines all retained or purchased securitisation positions in which ABN AMRO acts as originator or investor.

Table 25 - Total securitisation positions retained and purchased

(in millions of euros)

Type of Securitisation	Total
Securitisation positions where ABN AMRO acts as Originator	35,352
Securitisation positions where ABN AMRO acts as investor	2,777
Total	**38,129**

The following table gives details for all securitisation positions retained or purchased, broken down by exposure type of the underlying pool of assets and the type of securitisation. All retained and purchased securitisation positions relate to transactions of which the borrowers of the underlying assets reside in the Netherlands. The simple average time to maturity of all the assets in the underlying portfolios is equal to or more than 5 years for each securitisation position outlined below.

Table 26 - Exposure type distribution of securitisation positions retained and purchased

(in millions of euros)

Type of Securitisation		Residential mortgages	Loans to corporates or SMEs	Total
Traditional	Securitisation positions retained (Originator/sponsor)	26,136	2,150	28,287
Traditional	Securitisation positions purchased (investor)	1,250		1,250
Synthetic	Securitisation positions retained (Originator/sponsor)		7,065	7,065
Synthetic	Securitisation positions purchased (investor)		1,527	1,527
Total		**27,386**	**10,742**	**38,129**

The following table outlines all securitisation positions retained or purchased broken by risk weight bands. The risk weight bands applied relate to risk weights before applying any multiplication factors relevant under the applicable solvency regulation.

Table 27 - Risk weight distribution of securitisation positions retained and purchased

(in millions of euros)

	Securitisation positions retained (Originator/sponsor)	Securitisation positions purchased (investor)	Total
0-12%	32,240	1,250	33,490
12-20%	1,181		1,181
20-50%	926		926
50-100%	579		579
100-250%		1,527	1,527
250-425%			
425-650%			
650-1,250%			
1,250%	426		426
Total	**35,352**	**2,777**	**38,129**

The following table summarises the securitisation activity of ABN AMRO during 2010. Only securitisation positions which are purchased or originated and retained in 2010 are included. The securitisation positions are broken down by exposure type of the underlying pool of assets and the type of securitisation.

Table 28 - Securitisation Activity in 2010

(in millions of euros)

Type of Securitisation		Residential mortgages	Loans to corporates or SMEs	Total
Traditional	Securitisation positions retained (Originator/sponsor)	11,208		11,208
Traditional	Securitisation positions purchased (investor)	1,250		1,250
Synthetic	Securitisation positions retained (Originator/sponsor)		7,065	7,065
Synthetic	Securitisation positions purchased (investor)		1,527	1,527
Total		**12,458**	**8,592**	**21,050**

Details on securitised asset portfolios

The tables in this section outline the notional amounts outstanding of the underlying pools of assets, which amount to EUR 57.3 billion. Differences between the aggregate exposure included in these tables and the aggregate exposure included in tables in the previous section are caused by i) positions in which ABN AMRO does not act as originator, ii) differences between the outstanding note amounts and the notional amount outstanding of the underlying pool of assets, iii) positions transferred to third-party investors, and iv) securitisation positions which do not directly reflect a tranche of the underlying asset portfolio (e.g. excess spread, IRS, liquidity facilities, etc.).

The following table gives details on the exposures, broken down by exposure type of the underlying pool of assets and the type of securitisation.

Table 29 - Exposure type distribution of securitisation positions (overall pool size)

(in millions of euros)

Type of Securitisation		Residential mortgages	Loans to corporates or SMEs	Total
Traditional	Amounts of exposure securitised	47,846	2,459	50,305
Synthetic	Amounts of exposure securitised		7,013	7,013
Total		**47,846**	**9,472**	**57,318**

The following table provides an overview of these exposures securitised by ABN AMRO, broken down in buckets which reflect the credit quality of the underlying assets. Amounts reported equal the notional amounts outstanding of the underlying pools of assets.

Table 30 - Credit Rating Distribution of Underlying Collateral

(in millions of euros)

Grade Category	
Investment grade	41,724
Sub-investment grade	15,160
Default without provision	85
Default with provision	349
Total	**57,318**

The following table shows the notional amount of asset portfolios which are included in credit derivatives in which ABN AMRO either bought or sold synthetic credit protection. ABN AMRO does not use any credit derivative transactions for intermediation activities. All included portfolios relate to transactions of which the majority of underlying assets consists of loans and commitments.

Table 31 - Notional principal amount of credit derivative transactions

(in millions of euros)

	Credit Default Swaps	Total Return Swaps	Other
Protection bought	7,013		
Protection sold	9,262		

The protection sold relates to positions in credit default swaps where ABN AMRO acts as protection seller, which is classified in previous tables as "Synthetic-Securitisation positions purchased (investor)". The amount of protection sold, included in this table, solely relates to the Credit Umbrella.

Details on total notes outstanding per Special Purpose Entity

The tables in this section outline the aggregate amount of outstanding notes of Special Purpose Entities ("SPEs") which were established by ABN AMRO for securitisation purposes. Differences between the total amounts included in the tables in the previous section and the total amount of outstanding notes per SPE are caused by i) differences between assets included in the securitisation program and the outstanding notes (e.g. due to overcollateralization or amortisation not yet repaid) or ii) bilateral synthetic securitisations which do not make use of a Special Purpose Entity.

Table 32 - Size of Securitisation Special Purpose Entities

Entity name	Total amount of notes	% of the institution size
Dolphin Master Issuer B.V.	30,412	8.01%
Goldfish Master Issuer B.V.	9,752	2.57%
Beluga Master Issuer B.V.	3,943	1.04%
Delphinus 2006-I B.V.	3,330	0.88%
SMILE Securitisation Company 2007 B.V.	2,175	0.57%
Delphinus 2001-II B.V.	843	0.22%
SMILE Securitisation Company 2001 B.V.	579	0.15%
Delphinus 2001-I B.V.	277	0.07%
Total	**51,310**	**13.52%**

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