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**Annual Report
2010**

ABN AMRO Group N.V.

Important notes to the reader

Introduction

This is the Annual Report for the year 2010 of ABN AMRO Group, which consists of ABN AMRO Group N.V. and its consolidated subsidiaries. The Annual Report consists of the Managing Board report, Supervisory Board report, and the Consolidated Financial Statements.

Presentation of information

The financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The current structure of ABN AMRO Group is a result of various steps taken over the past period, ultimately resulting in the Legal Merger between ABN AMRO Bank and Fortis Bank Nederland as subsidiaries of ABN AMRO Group as at 1 July 2010. The basis of presentation, including the accounting for the different steps leading to the creation of ABN AMRO Group, is described in the Basis of presentation and Structuring of ABN AMRO sections on pages 136 and 137. As a result of the integration, the current segment reporting is still subject to minor changes.

All figures are presented in euros (EUR), which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise stated). All year-end averages in the Annual Report are based on month-end figures. Management does not believe that these month-end averages present trends materially different from those that would be presented by daily averages.

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.

This Annual Report excludes the direct interest held by the State of the Netherlands (Dutch State) in the so called shared assets included in RFS Holdings B.V.

Definitions of important terms used throughout this report

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.

BNP Paribas Fortis

refers to Fortis Bank SA/NV, a consolidated subsidiary of BNP Paribas Group.

Consortium

refers to The Royal Bank of Scotland Group plc (“RBS Group”), Ageas and Banco Santander S.A. (“Santander”), which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. (“RFS Holdings”).

Dutch State

refers to the State of the Netherlands.

Dutch State-acquired businesses

refers to the businesses of ABN AMRO Holding acquired by the Dutch State.

EC Remedy

refers to the divestment of the EC Remedy Businesses by ABN AMRO Bank Standalone in order to satisfy the conditions imposed by the European Commission for approval of the integration of FBN with ABN AMRO Bank Standalone through the Legal Merger.

EC Remedy Businesses

refers to New HBU II N.V. and IFN Finance B.V.

FBN

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.

RBS N.V.

refers to The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. prior to the Legal Demerger.

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 FBN. ABN AMRO Bank was the surviving entity and FBN was the disappearing entity.

Legal Separation

refers to the transfer on 1 April 2010 of the shares of ABN AMRO Bank from ABN AMRO Holding to ABN AMRO Group N.V.

Shared assets

refers to assets and liabilities that have not yet been settled between the Consortium members and in which each of the Consortium members has a joint and indirect interest.

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ABN AMRO at a glance

Key facts and figures

Key indicators	2010	2009
▶ Underlying Net Profit (EUR million)	1,077	142
▶ Underlying Cost / Income ratio (%)	70	75
▶ Reported Net Profit/(Loss) (EUR million)	-414	274
▶ Reported Cost / Income ratio (%)	92	76
▶ Assets under Management (EUR billion)	164.2	149.7
▶ Total assets (EUR billion)	379.9	386.5
▶ Risk weighted assets (EUR billion)	116.2	
▶ Shareholders' equity (EUR billion)	12.1	8.7
▶ Tier 1 ratio (%)	12.8	

Key facts	2010	2009
▶ Branches in the Netherlands	508	654
▶ International presence (countries & territories)	28	29
▶ Clients (retail, in million)	6.8	6.8
▶ FTEs (at year-end)	26,161	29,551
Long-term ratings		
▶ S&P	A	
▶ Moody's	Aa3	
▶ Fitch	A+	
▶ DBRS	A (high)	

Our Mission: ABN AMRO's first-rate professionals always exceed expectations, creating highly satisfied clients.

In a few words

ABN AMRO is an all-round bank servicing retail, private and commercial banking clients. With a strong foundation in the Netherlands, we support clients based in the Netherlands and abroad with our know-how of banking and specialist sector knowledge and a selective international network. ABN AMRO is also internationally active in a number of specialist activities such as Energy, Commodities & Transportation, Clearing and collateralised Finance (factoring and lease in Western Europe). Our private banking business is market leader in the Netherlands and serves clients in 13 countries and territories.

Our clients' success is our success

The success and satisfaction of our clients is the most important condition for our own success. Our top priority is to create enduring relationships with our clients.

By understanding the needs of our clients and putting our know-how of banking to work for them, we deliver services that match our clients' ambitions.

We want to be an open and transparent bank, with understandable yet innovative products.

We have a solid client base in the Netherlands and serve our clients abroad where their business takes them. The businesses of ABN AMRO are complementary and allow us to serve our retail, private and commercial clients well.

Our values

- ▶ **Trusted** – We strive for long-term client relationships and when we make a promise, we always live up to it
- ▶ **Professional** – We create solutions for clients that are simple, understandable and workable. We know our solutions, our clients and the environment they are part of
- ▶ **Ambitious** – We are never satisfied and are always stretching our boundaries and striving to achieve more for our clients

Our goal: to achieve a collective result, not individual success.

Healthy financial ambitions, yet a moderate risk profile

We are building an entrepreneurial bank that strives to live up to our clients' expectations, each and every day, while achieving healthy returns without taking risks that we do not understand. We always take a long-term sustainable perspective in all our decisions.

We intend to solidify the bank's financial position in the years ahead by focusing on enhancing efficiency and reaping the benefits of the integration. Banking involves risk-taking, but we will only take risks that we understand and can justify.

We want to be a bank that creates sustainable long-term value for all of ABN AMRO's stakeholders – including clients, shareholders, employees and society at large.

Sustainable growth based on know-how

We aim to continue growing our market position in the Netherlands and in specialised activities abroad. Our growth ambitions can only be reached by first-rate professionals, hence our commitment to promoting the continuous personal and professional growth of our employees. At the same time, we always strive to exceed our clients' expectations, ensuring their satisfaction. We are a bank that is straightforward, yet disciplined and respectful.

We focus on the activities and markets in which we are strong.

Our business proposition

“To make the client feel truly appreciated by ABN AMRO”

Our **Retail Bank** is the number 3 player in the Netherlands, serving 6.8 million clients and offering professional advice and best-in-class products to retail clients in all stages of their lives.

- ▶ We believe we will only be successful by building sincere, lasting relationships with all our clients. All our efforts are aimed at putting the client first.
- ▶ We are active in the areas of client deposits, consumer loans and mortgages, insurance, payments and investments. We serve all retail clients, but specifically have a strong foothold in the Mass Affluent segment.
- ▶ Our products and services rank among the best in the market (Best in Online Banking in 2010 by the Dutch Consumers' Association) and are transparent and straightforward.
- ▶ We offer high-quality service via an extensive network of distribution channels, including four Customer Contact Centres (with a 24/7 telephone service), our online banking service, 508 branches and specialist subsidiaries.

“To be a trusted advisor to our clients: professional, independent, committed and transparent”

Our **Private Banking** business builds on our market leadership in the Netherlands and a strong local presence in a selected number of countries in Europe and Asia.

- ▶ Our ambition is to be valued by our clients as their trusted advisor, faithful to our centuries-long heritage, generation after generation.
- ▶ We aim to provide a total solution for our clients' global wealth management needs, from discretionary portfolio management to an independent broad range of investment funds.
- ▶ In the Netherlands we operate under the ABN AMRO MeesPierson brand. Elsewhere, we operate under the brand name ABN AMRO Private Banking, or local strong brands such as Neufilze OBC in France and Delbrück Bethmann Maffei in Germany.
- ▶ Our International Diamond & Jewelry Group (ID&JG) is a global market leader in the diamond industry.

“To be the best commercial and merchant bank in the Netherlands with the most satisfied clients and the best professionals”

Our **Commercial & Merchant Bank** fosters long-term relationships, striving to maximise client satisfaction by offering a comprehensive and innovative range of products, first-rate service supported by excellent sector knowledge.

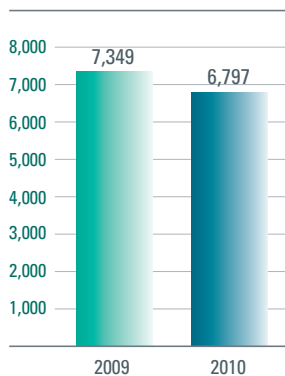
- ▶ Our goal is to create long-lasting relationships with our clients, from start-ups and the self-employed, to SMEs, large corporates and financial institutions.
- ▶ We offer a comprehensive range of standard and customised products, and strategic financial advice, building on our excellent sector expertise and product specialism.
- ▶ We hold global leading positions in specialist markets through our Energy, Commodities & Transportation and ABN AMRO Clearing businesses.

With a presence across the main financial centres in three time zones, we meet our clients' international financial needs through our own network of offices in Western Europe, and by teaming up with renowned partner banks elsewhere.

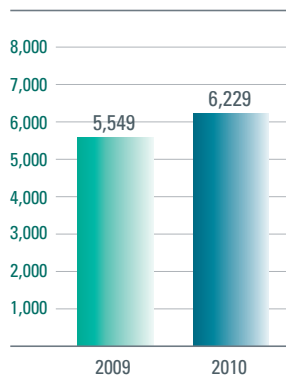
Our financial performance

Reported figures (in millions of euros)

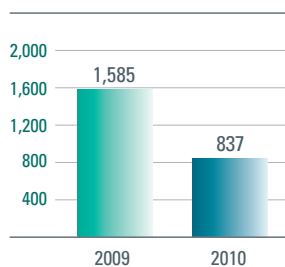
Operating income



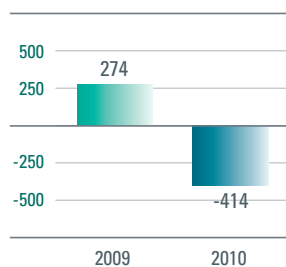
Operating expenses



Loan impairments

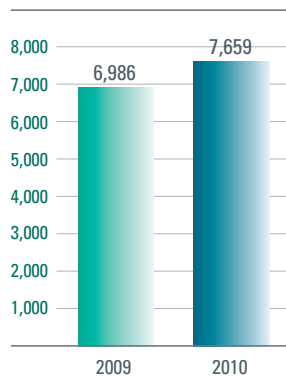


Net profit/(loss)

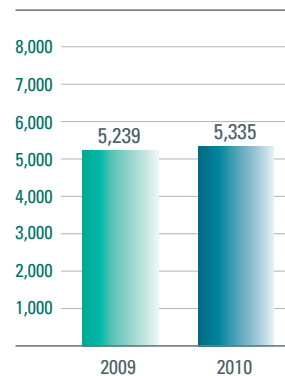


Underlying figures (in millions of euros)

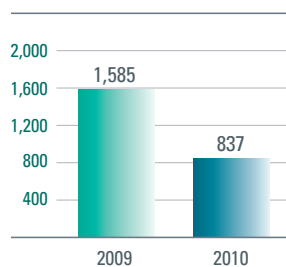
Operating income



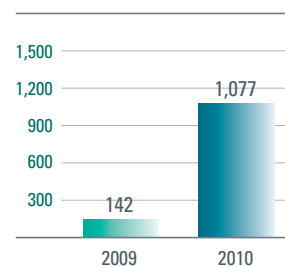
Operating expenses



Loan impairments



Net profit/(loss)



Our history

We have a long and rich history reaching back almost 300 years.

- 1720 Formation of R. Mees & Zoonen. Hope & Co in 1734; Pierson, Heldring & Pierson in 1875
- 1824 Formation of Nederlandsche Handel-Maatschappij. Twentsche Bank in 1861, Rotterdamsche Bank in 1863 and Amsterdamsche Bank in 1871
- 1964 Algemene Bank Nederland (ABN) is formed from the merger between Nederlandsche Handel-Maatschappij and Twentsche Bank
- 1964 Amsterdam Rotterdam Bank (Amro) is formed from the merger between Rotterdamsche Bank and Amsterdamsche Bank
- 1990 Fortis is formed as a result of the merger of various entities, including Nutsspaarbanken (1817), AG Group (1824) and AMEV (1883)
- 1991 ABN and Amro merge to create ABN AMRO
- 1993 MeesPierson is formed from the merger of various entities, including Bank Mees & Hope and Pierson, Heldring & Pierson

- 1997 Fortis acquires MeesPierson
- 1998 Fortis acquires Generale Bank Nederland
- 1999 Generale Bank in the Netherlands, VSB Bank and MeesPierson merge into Fortis Bank
- 2007 Fortis, Santander and RBS acquire ABN AMRO Holding N.V.
- 2008 Dutch government acquires Fortis Bank Nederland and the Dutch activities of ABN AMRO Holding N.V.
- 2010 Legal Merger between ABN AMRO and Fortis Bank Nederland is effective, creating the current ABN AMRO

Current ownership

The Dutch State holds all ordinary shares of ABN AMRO Group. In addition, the Dutch State holds a number of shares in ABN AMRO Preferred Investments B.V. The Dutch State has full control over ABN AMRO Group with a total financial interest of 97.8%. The remaining 2.2% is held by institutional investors via ABN AMRO Preferred Investments.

Chairman's Review 1

Splitting up a bank is a complex endeavour; splitting up a bank and preparing for a merger at the same time is even more complex. Splitting up and merging was a dominant theme in 2010. Yet at the same time, we continued to serve our clients and even took steps to improve our service. Many other initiatives were taken to safeguard the bank's future and its relationship with its stakeholders. In this Chairman's Review I will try to shed some light on our efforts and on events that have taken place in 2010.

Separation

Splitting up an integrated bank which is not organised into legal entities implies allocating assets, liabilities and capital among the different parties. This is a complex process, which we managed to successfully conclude in the first quarter of 2010 when we demerged from RBS. The Remedy imposed by the European Commission in order to preserve fair competition in the Netherlands, a condition for the approval to integrate the two banks, was closed in 2010 as well. The activities of HBU, IFN Netherlands, two corporate client units and thirteen branches were separated and sold to Deutsche Bank. In addition, Fortis Bank Nederland, which had been dependent on BNP Paribas Fortis for many centralised activities, was successfully separated in 2010.

Integration

The Dutch State announced its intention to merge the State-acquired businesses of ABN AMRO and Fortis Bank Nederland in order to create a new, viable bank in 2008. Significant cost synergies could be realised by eliminating overlap in branches, creating one head office and using a

single IT and Operations organisation. The integration was prepared while the separation activities were still under way.

In April 2010, when the legal separation of the former ABN AMRO Holding was finalised, the retail organisation started "two-in-one" bank branches (combined location, separate handling of clients) and closed down 146 branches in the following months. On 1 July, when the legal merger was finalised, all retail staff knew whether or not they would keep their jobs at the bank. In the second half of 2010, 1.6 million clients of Fortis Bank Nederland were transferred to the ABN AMRO network. This was a complex operation from an IT and communication perspective. Around 500 employees, working in shifts and on weekends, carried out several dress rehearsals and performed the transfer virtually flawlessly. In the end, the retail activities were fully integrated in 2010. Integration of the Commercial & Merchant Banking and Dutch Private Banking systems and activities is planned for completion in 2011 and early 2012.

Filling the gaps resulting from the separation will create around 1,500 new jobs. However, the merger will lead to a loss of 6,000 jobs, so the net loss will be 4,500 jobs. A redundancy scheme based on the theme "from job to job" has been agreed with the trade unions. A great deal of effort is being put into minimising the number of employees who have to leave the company. Our Redeployment Centre supports staff who have been made redundant in finding a new job within or outside the bank. At the end of 2010 an agreement with the trade unions on a collective labour agreement was concluded, resulting in a uniform remuneration regime for all employees in the Netherlands as from 1 January 2011.

Core values: Trusted, Professional and Ambitious

The new bank adheres to the core values Trusted, Professional and Ambitious. *Trusted* means we aim to forge long-term relationships with clients based on trust and on a moderate risk appetite. *Professional* reflects ABN AMRO's strong reputation as a bank with expertise and a tradition of attracting talented professionals. The bank creates added value for its clients by employing professionals with expertise in financial services who know their clients and the environments in which their clients operate. *Ambitious* means we are never satisfied, but always strive to improve our service to our clients, explore new solutions, become ever-more efficient and contribute to the well-being of all stakeholders (clients, employees, shareholders and society at large).

Retail Banking

Now that the retail organisation has been fully integrated, we can focus all our efforts on improving the standard of service to our clients. The products the bank offers are being critically reviewed and rationalised. In 2010, for example, we drastically simplified our savings product offering as well as the language used in our product descriptions and conditions. We will apply the same product and language screening to other retail products in 2011, notably mortgages and investment services. This is all part of a programme called Customer Excellence, a combination of customer focus and operational excellence. At the same time, we are giving more authority to local branches, which can now approve loans under a million euros and financially settle disputes involving a relatively small amount. We have also embarked on initiatives to support mobile banking.

Private Banking

Private Banking is a stronghold of ABN AMRO. ABN AMRO and MeesPierson are now combined into ABN AMRO MeesPierson. The new private bank will feature a special service for entrepreneurs who are clients of the bank both as a private individual and as a representative of their enterprise. ABN AMRO MeesPierson has also created a dedicated unit to provide advice to the wide range of non-profit organisations. Private Banking not only has a stronghold in the Netherlands, but also has a solid international presence.

Commercial & Merchant Banking

ABN AMRO has a long, impressive tradition in commercial and merchant banking. Despite a forced split-up, clients have deliberately chosen to stay with the new ABN AMRO. All capabilities required to serve corporate clients were available in 2010, including debt capital market and equity market services, and the dealing room is fully operational again. We are also well on our way to rebuilding an international presence in order to serve Dutch clients abroad. Our policy is to be present in all countries where the Dutch business community has strong relations and to serve our clients in countries with a less prominent Dutch economic interest through partner banks.

ABN AMRO holds the number 3 position in the Dutch market for small and medium-sized businesses. We are keen to pick up market share especially in the Remedy regions. To increase the speed and quality of services for these clients, we have launched a Customer Excellence programme similar to the one in our retail business. We are redesigning processes and working practices with a view to offering faster, flawless service. Here, too, we are giving local branches more responsibilities.

In addition to serving the Dutch business community in the Netherlands and abroad, we also serve international business clients, focusing on activities where we have a strong tradition and expertise that meets high international standards. A good example is financing of activities in energy, commodities and transportation (ECT). During the severe economic slowdown in 2008/2009, when shipping tariffs and commodities and energy prices took a nosedive, the bank did not suffer exceptional losses. ABN AMRO Clearing is another activity with a large network of international clients, where we rank in the top 3 of global players thanks to our specialist expertise, global presence and dedicated staff. Further expansion opportunities may arise from new regulations, stimulating trade in stocks, bonds and derivatives on open platforms. Besides these worldwide activities, ABN AMRO is a strong Western European player in collateralised finance (factoring and lease).

Dutch Banking Code

As part of its response to the financial crisis, in 2009 the Dutch Banking Association drew up a banking code. We reported on our website last year how we have implemented each principle laid down in the code. This Annual Report includes a separate section dedicated to this subject. A few highlights follow below.

Risk management

The bank has defined a risk appetite which can be qualified in general terms as moderate. Where possible, this has been translated into quantitative terms. The enterprise-wide risk profile of ABN AMRO in relation to the risk appetite is discussed frequently by the Managing Board. We have developed and are currently implementing a "three lines of defence" model. This model promotes risk awareness in the businesses (the first line) based on central policies and monitoring (the second line). Audit (the third line) supervises the functioning of the first two lines of defence. Our moderate risk appetite is expressed not only in quantitative terms, but also in our business philosophy. We do not engage in one-off deals without establishing a long-term relationship with the client.

Remuneration policy

ABN AMRO endorses the recommendations for remuneration policy stipulated in the Dutch Banking Code. The bank's remuneration policy governing the Managing Board is stricter than the principles set out in the Code. The maximum of variable pay is set at 60%, and individual members are appraised based on common collective goals. Two-thirds of the variable pay of the Managing Board and the Management Group is related to long-term targets (2012) and one-third to a yearly target. Half of the key performance indicators are financial (including staying below a cost ceiling) and the other half is non-financial (for example, progress with the integration, client and employee satisfaction, and sustainability). A different contract has been agreed for the Chairman of the Managing Board.

Sustainability

Both ABN AMRO and Fortis Bank Nederland traditionally had good reputations in sustainability. As we see it, one of the company's stakeholders is society at large – and we intend to take this stakeholder seriously, in part by

pursuing our sustainability ambitions. Sustainability as a goal should come from within, not from external pressure. We aim to capitalise on the knowledge, creativity and initiatives within our organisation.

Our product offering must meet our clients' demands for sustainable investments; the reduction of tax breaks for green investments is no reason to stop, it simply makes our job more challenging. When we discuss credit policies with our clients, we also include sustainability issues. We recently financed the most energy-efficient data warehouse in the Netherlands, and we aim to reduce our own environmental footprint by creating more efficient office accommodation, setting reduction targets for energy consumption and offering greater flexibility for employees to work outside their official workplace. Lastly, through ABN AMRO Foundation (previously Fortis Foundation), we encourage employees to contribute to broader societal goals.

Diversity

We are convinced that diversity in the broadest sense enhances quality. We also believe that a great deal of effort is needed to improve our performance. There is a woman on the Managing Board for the first time in history, but the percentage of women on the Board is still below 15%. Of the Management Group (the top 100 managers below the Managing Board) only 15% is female and for other senior management positions this figure is 20%. We have signed the Talent to the Top Charter and installed a Diversity Board Network, and have put in place Managing Board coaching and mentoring programmes to support women on their way to the top.

An even longer haul is ethnic diversity at higher levels of the organisation. In my meetings with trainee groups I have been pleasantly surprised by the diversity of backgrounds. I am also pleased that a large number of managers are willing to act as mentors to employees with atypical backgrounds in personal development and career paths. We supported the launch of Diversity Network ABN AMRO (DN@), the goal of which is to draw attention to the importance and added value of ethnic diversity.

Results for 2010

After the severe recession in 2009, both the world economy and the Dutch economy started to pick up in 2010, and the recovery was reflected in the results of the bank. ABN AMRO realised strong growth in underlying profit, which rose from EUR 142 million in 2009 to EUR 1,077 million in 2010. The reported net result for 2010 was a loss of EUR 414 million, due to the sale under the EC Remedy and separation and integration costs. The increase in the underlying profit was driven by higher income, lower impairments and the first synergy benefits. The full effect of the integration synergies will not be realised until 2013. The underlying cost/income ratio improved to 70%. ABN AMRO is adequately capitalised and therefore well positioned to meet the upcoming Basel III capital and liquidity requirements, which will be phased in starting from 2013. As the integration costs will diminish sharply going forward, ABN AMRO has established a dividend policy in consultation with the Dutch State. The dividend policy targets a dividend payout of 40% of the reported annual profit, subject to finalisation of the State aid investigation procedure of the European Commission.

Closing remarks

Looking back on 2010, we can conclude that we have reached and even surpassed the goals we had set for 2010: we realised separation, concluded the first major integration projects successfully and on time, rebuilt capabilities, boosted client satisfaction and delivered a strongly improved financial performance.

All this was possible thanks to our clients and staff. Throughout the turbulent times, clients remained loyal or returned to the bank. We will do our utmost to prove that they have made the right decision. Staff have displayed admirable efforts, dedication and unflagging commitment even in times of personal uncertainty. We are grateful to them and proud of their performance.

We are now well under way to improving the profitability and efficiency of the bank. The Dutch State has announced that we can start preparations for an exit in 2013, probably leading to a stock exchange listing in 2014. We welcome this view. Exceptional circumstances led the Dutch State to take ownership of the bank. After completing the integration and steadily improving our efficiency and financial results, we prefer private ownership.

Supervisory Board report

Supervisory Board review 2

2010 was marked by major separation, legal merger and integration activities and the start of a new bank. At the same time the bank focused on rebuilding its capacities and improving its client satisfaction and financial performance.

The Supervisory Board would like to express its gratitude to the Managing Board and all employees for their determination and commitment during the eventful year 2010.

2.1 Responsibilities of the Supervisory Board

The Supervisory Board supervises the Managing Board as well as ABN AMRO's general course of affairs and its business. In addition, it is charged with assisting and advising management. In performing their duties, the members of the Supervisory Board are guided by the interests and continuity of ABN AMRO and its enterprise and take into account the relevant interests of ABN AMRO's stakeholders. Certain powers are vested with the Supervisory Board, including the approval of certain resolutions proposed by the Managing Board. The Supervisory Board has established three committees to prepare its decision-making and to advise the Supervisory Board on certain matters: the Audit Committee, the Remuneration, Selection & Nomination Committee and the Risk & Capital Committee.

The Rules of Procedure of the Supervisory Board are available at www.abnamro.com. These rules also include the terms of reference of the committees of the Supervisory Board.

2.2 Appointment, suspension and dismissal

As a result of the "mitigated structure regime," which is applied voluntarily by ABN AMRO Group, members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. A nomination may be rejected by the General Meeting of Shareholders by a special majority. Supervisory Board members are appointed for a term of four years and may be reappointed after that term. Members of the Supervisory Board may serve a maximum term of 12 years.

The General Meeting of Shareholders and the Works Council have the right to recommend candidates for nomination. With respect to one-third of the members of the Supervisory Board, the Supervisory Board must place a candidate recommended by the Works Council on the nomination, unless it objects to the recommendation. If the Supervisory Board's objection to the recommendation is well founded, the Works Council will nominate a new candidate.

Upon their appointment, all members of the Supervisory Board follow an introductory programme designed to ensure that they have the relevant knowledge to fulfil their duties, including thorough knowledge of ABN AMRO. The programme provides the information needed for participation in the lifelong learning programme. As the knowledge, background and experience of newly appointed members of the Supervisory Board differ, the exact curriculum of the introductory programme is determined on an ad hoc basis.

Members of the Supervisory Board can be suspended by the Supervisory Board. The General Meeting of Shareholders has the authority to dismiss the entire Supervisory Board.

2.3 Composition and profiles of the members of the Supervisory Board

The full profile of the size and composition of the Supervisory Board is available on www.abnamro.com, under the Rules of Procedure of the Supervisory Board. The Supervisory Board is satisfied with its diversity and composition, which is in line with the Board's profile. Its members include people who hold one or more executive positions and people who no longer hold executive positions or who hold non-executive positions. The Supervisory Board also believes that the Board is diverse in terms of gender, experience, knowledge and background of its members. The Supervisory Board does not expect any changes in its composition in 2011.

All members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code. In 2010, the Works Council recommended Annemieke Roobeek and Steven ten Have for nomination as Supervisory Board members of ABN AMRO, and both were subsequently appointed by the General Meeting of Shareholders.

Curriculum vitae of each member of the Supervisory Board are provided at www.abnamro.com. An overview of the present composition of the Supervisory Board is provided below. There were no retirements from the Supervisory Board in 2010. Profiles are provided in the section Composition of the Supervisory Board.

Supervisory Board

Hessel Lindenbergh (Chairman)	(67, M)
Hans de Haan	(66, M)
Steven ten Have	(43, M)
Bert Meerstadt	(49, M)
Marjan Oudeman	(52, F)
Annemieke Roobeek	(52, F)
Rik van Slingelandt	(64, M)
Peter Wakkie	(62, M)

Age and gender between brackets. All members of the Supervisory Board are Dutch.

2.4 Supervisory Board meetings

The Supervisory Board met on ten occasions during the period under review. Six meetings were scheduled plenary sessions together with the Managing Board. Four meetings took place by conference call. The Chairman and the Company Secretary prepared the agenda for the meetings of the Supervisory Board in 2010. Regular agenda items included transition progress, financial performance, risks, compliance and legal issues, corporate governance and the organisational structure including senior appointments. A more detailed description of the matters discussed is provided below.

The company's financial performance was discussed at the Supervisory Board meetings preceding the announcement of quarterly and (semi-)annual results. Relevant executives and internal and external auditors participated in these discussions. These meetings were preceded by meetings of the Audit Committee, which advised the full Supervisory Board on the approval of the financial results and the accompanying press releases. Comprehensive information provided by the Managing Board and reviewed by the Audit Committee with the assistance of internal and external auditors gave the Supervisory Board a clear picture of the Group's risks, results and capital and liquidity positions.

The Supervisory Board was extensively informed of the status of the integration of ABN AMRO Bank and FBN throughout 2010. Regular updates on the progress of integration projects and systems migrations including transition-related risks were provided by the Managing Board. At its meeting in April, the Supervisory Board reviewed, discussed and approved the merger proposal relating to the Legal Merger of ABN AMRO Bank and FBN.

During its meeting in May, the Supervisory Board reviewed and approved the company's Risk Appetite Statements and an update was approved at the Board's meeting in November. The Supervisory Board and the Managing Board regularly discuss updates on the capital and liquidity positions of the Group, including the company-wide risk profile. The Risk & Capital Committee reported its deliberations and findings with respect to the Group's risk management functions and framework to the full Supervisory Board for further discussion.

The Group's strategy was discussed during a special session in June with an in-depth review of key developments in the regulatory environment, the financial services industry and the wider economy presented by leading external experts.

The Managing Board regularly informs the Supervisory Board about intended organisational and senior staff changes and about human resources policy. At its meetings in April the Supervisory Board approved the performance management frameworks for the Managing Board and senior management. ABN AMRO's corporate values and culture were discussed and endorsed by the Supervisory Board at its meetings in June and November. The Supervisory Board has been informed of the conclusions and any follow-up action following letters received from DNB, AFM and the Dutch State.

Corporate governance was discussed on several occasions in the light of global and Dutch developments in relevant codes and legislation. At its meeting in September, the Supervisory Board discussed the implementation of the Dutch Banking Code by ABN AMRO as part of the review by the Banking Code Monitoring Commission. At its December meeting, the Board reviewed the strategies for various client segments and strategic business lines as part of the company's longer-term strategic planning for the period up to 2014.

Outside the Supervisory Board meetings, members of the Supervisory Board and the Managing Board were in contact on a regular basis, and the Chairman of the Supervisory Board and the Chairman of the Managing Board met on a weekly basis.

Audit Committee

The Audit Committee is responsible for supervising, monitoring and advising the Supervisory Board on the adequacy of external financial reporting, review of the scope, the nature and effectiveness of the work of the internal audit department (Group Audit), the selection of and relationship with the external auditor and the effectiveness of the accounting systems, including the related aspects of internal risk management and control systems.

The Audit Committee was established in May 2010 and met on three occasions throughout the year to discuss the half-year and quarterly results. In its initial meetings, the Audit Committee agreed its mandate and approved the Auditor Independence Policy, the Audit Charter, the 2010 Group Audit Plan and the Pre-approval Policy for audit-related and non-audit work by the external auditor. Prior to this meeting, the Audit Committee was involved in the selection of the external auditor and the selection of KPMG Accountants N.V. as the external auditor of ABN AMRO Group. The Audit Committee furthermore reviewed quarterly financial overviews and trading updates. The Group Audit quarterly report and the external auditor's quarterly report were also discussed with the Managing Board and the auditors.

The Audit Committee closely considered the integration of Group Audit and Group Finance, paying special attention to the impact on policies, systems and harmonisation of the accounting principles. Other topics discussed in the meetings were risk, governance, capital management, Basel II, financial requirements and other regulatory matters, and contribution to the ABN AMRO and FBN pension funds. Between scheduled Audit Committee meetings, members of the Committee were regularly in contact with the external auditor to discuss current matters, and discussed and advised Board members and the internal auditor on matters relating to the Audit Committee.

The Audit Committee consists of Hans de Haan (Chairman), Hessel Lindenberg, Bert Meerstadt and Rik van Slingelandt (appointed on 2 November 2010).

Remuneration, Selection & Nomination Committee

The responsibilities of the Remuneration, Selection & Nomination Committee include advising the Supervisory Board on appointments of, and remuneration for members of, the Managing Board and the Supervisory Board. To this end, the Committee is involved in drafting selection criteria and appointment procedures, preparing and periodically reviewing succession plans of these Boards, and identifying, selecting and nominating candidates for appointment or reappointment on the basis of an agreed profile.

The Remuneration, Selection & Nomination Committee makes proposals for the remuneration of individual members of the Managing Board, defines performance standards and criteria and holds periodic reviews of the performance of individual members of the Managing Board. The Remuneration, Selection & Nomination Committee's responsibilities also include advising on the principles of the compensation and benefits of other identified staff.

The Remuneration, Selection & Nomination Committee met on two occasions in 2010. The main topics discussed were the remuneration policy and performance management policy for the Management Group and Managing Board, including performance criteria and target-setting for 2010. The committee also discussed the impact of new rules and regulations on remuneration policies such as the European Union's Capital Requirements Directive (CRD III) and the Committee of European Banking Supervisors (CEBS) guidelines on remuneration policies and practices.

The Remuneration, Selection & Nomination Committee consists of Peter Wakkie (Chairman), Steven ten Have, Hessel Lindenbergh, Marjan Oudeman and Rik van Slingelandt (appointed on 2 November 2010).

Risk & Capital Committee

The Risk & Capital Committee advises the Supervisory Board on subjects relating to risk management and risk control and prepares the Supervisory Board's decision-making in these areas.

The Risk & Capital Committee was established in May 2010 and met on three occasions in 2010. In its initial meeting, the Risk & Capital Committee agreed its mandate and reviewed and approved the proposed risk appetite of ABN AMRO. An update of the risk appetite was approved in November 2010. During all meetings, the committee extensively discussed the company's enterprise-wide risk profile. Furthermore, recurring agenda items included updates on the implementation of Basel II, updates on the overall transition risks, updates on the bank's capital and liquidity positions, updates on major legal procedures, quarterly compliance updates and stress testing.

Other subjects addressed during the meetings were ABN AMRO's new product approval process, ABN AMRO's capital plan and decisions with material impact on the allocation of ABN AMRO's capital, liquidity and/or risk profile. The committee was also informed about risk awareness among the bank's employees.

The Risk & Capital Committee consists of Rik van Slingelandt (Chairman), Hans de Haan, Hessel Lindenbergh, Annemieke Roobeek and Peter Wakkie. Prior to 2 November 2010, Hans de Haan acted as interim Chairman of the Risk & Capital Committee. On 2 November 2010, Rik van Slingelandt was appointed to the Risk & Capital Committee as the Chairman.

2.5 Evaluation

In 2011 the Supervisory Board evaluated the performance in 2010 of the Supervisory Board and its members, the performance of its committees and their members, the performance of the Managing Board and its members and the introductory and lifelong learning programmes. The Supervisory Board also discussed the desired profile, composition and competence of the Supervisory Board.

With regard to the Supervisory Board's own effectiveness and that of its individual members, it should be noted that 2010 has been a transitional year during which the Board has become accustomed to the company and its affiliated enterprise. All relevant aspects of the Supervisory Board's responsibilities received appropriate attention in 2010 and it can be concluded that there was ample room for discussion between its individual members. Looking at the Supervisory Board's main areas of attention in 2011, the Board views its role in defining and approving the Group's strategy as key.

The Supervisory Board values the cooperative relationship between the Supervisory Board and the Managing Board and its individual members.

2.6 Supervisory Board remuneration report

This section sets out the remuneration for the Managing and Supervisory Boards of ABN AMRO Group following the Legal Separation. The Supervisory Board executes the remuneration policy for the Managing Board members and reviews it over time in line with market practice relating to strategy, risk awareness, targets and values and taking into account relevant external requirements with respect to governance, the international context and public acceptance.

In 2009, the Remuneration, Selection & Nomination Committee of the envisaged Supervisory Board of ABN AMRO Group proposed a new remuneration policy, which was formally approved by the shareholders in January 2010 and adopted by the full Supervisory Board of ABN AMRO Group in April 2010. The new remuneration policies apply to the members of the Managing Board and the members of the Management Group, a group of about 100 senior managers within the ABN AMRO Group, in the Netherlands. The majority of the Management Group members are employed in the Netherlands and a small number outside the Netherlands.

The remuneration philosophy is based on ABN AMRO's profile: a stable bank with a moderate risk profile that faces the future with ambition. Internal factors such as the organisation, targets, values, long-term interests and positioning have been taken into account in designing the new sustainable and responsible policy that reflects the position the new combined bank aims to play in the Netherlands and abroad.

Control functions such as Risk, Compliance and Audit have all contributed to ensuring compliance with the new external guidelines and internal organisation, and with respect to establishing a variable remuneration component. Variable remuneration components will be linked to long-term value creation, an integrated risk-management and risk-awareness culture and ownership, while aiming for a level of total compensation slightly below the median in the relevant markets.

The peer group against which the remuneration proposals for the Managing Board and the Management Group has

been assessed consists of financial and non-financial companies both inside and outside the Netherlands. All are companies with which ABN AMRO competes in attracting and retaining talent and competent managers.

In selecting a comparator group for the Managing Board remuneration, the Supervisory Board used a peer group of companies that are comparable to ABN AMRO in terms of size and scope, active in financial and non-financial markets in the Netherlands and in Europe. The reference group for financial institutions consists of 14 companies within the Netherlands, Belgium, Germany, France and the United Kingdom; in addition, a cross-industry market analysis was performed against companies listed on the Dutch AEX, i.e. both financial and non-financial companies. The combination of fixed compensation (annual base salary) and variable compensation is defined as total direct compensation. Total direct compensation for the Managing Board and the Management Group, assuming on-target performance with respect to the variable component, are slightly below market median levels within the relevant peer group described above. The relationship between fixed and variable compensation also follows median market practice and is compliant with the principles set out in the Banking Code. Variable compensation for the Managing Board and the Management Group is capped at 60% and 100% of base salary respectively.

Managing Board

Remuneration components

The new remuneration package for the Managing Board consists of the following components:

- ▶ annual base salary;
- ▶ variable remuneration, consisting of short- and long-term components;
- ▶ benefits and other entitlements;
- ▶ severance pay.

Annual base salary

The annual base salary for the six members of the Managing Board amounts to EUR 600,000. The Chairman's salary is set at EUR 750,000. Salary adjustments for the Managing Board will follow developments in the collective labour agreement for the banking industry (*Algemene Banken CAO*) and will apply as from 1 January of any given year. There will be no salary adjustment as from 1 January 2011.

Variable remuneration

The variable remuneration arrangement amply meets the terms and conditions stipulated in the Banking Code. The Banking Code sets the maximum variable remuneration percentage at 100% of annual salary. The target total variable remuneration component on an annual basis for Managing Board members of ABN AMRO is set at 50% of annual fixed salary. The actual payout may vary between 0% and a maximum of 60% of annual salary on an annual basis. The variable remuneration component is divided into short- and long-term rewards.

Collective financial and non-financial targets are set for all Managing Board members so as to measure performance at Group level. The Supervisory Board opted for collective targets in order to emphasise cooperation within the Managing Board, also with a view to the integration of the two banks, which was the main target for 2010 and the years to come.

The Managing Board will only be eligible for variable remuneration if the following conditions are satisfied: no new capital support measures need to be granted and the obligations related to the former capital support provided by the Dutch State and other capital support measures have been met as agreed during the reporting year.

Short-term variable remuneration

The short-term variable remuneration amounts to a maximum of one-third of total variable remuneration and is paid in cash. This component is payable after the business results for the relevant performance year are available in March in the following year. The actual short-term variable remuneration is fixed annually by the Supervisory Board based on assessment of the Managing Board members' targets.

Financial parameters for 2010 are net profit and cost ceiling (including integration costs). In addition to these financial parameters, non-financial parameters are used. For 2010, these were client and employee satisfaction and progress with respect to the integration. Both the financial and non-financial targets have an equal weighting of 50%.

Although the bank realised an underlying profit of EUR 1,077 million, reported profit was negative due to the sale under the Remedy imposed by the European

Commission. As a result, the Managing Board is not eligible for short-term variable remuneration for 2010.

Long-term variable remuneration

After every four years, Managing Board members are eligible for a long-term variable remuneration component with a four-year performance period. This reward amounts to two-thirds of total annual variable remuneration on an annual basis, resulting in a maximum of 40% of annual salary and 33.3% of annual salary for on-target performance. The long-term reward is calculated such that every four years a one-off maximum long-term variable reward of four times 40% of the applicable annual salary applies, i.e. a maximum of 160% of base salary every four years, or 133.3% in the event of on-target performance. The Supervisory Board opted for this method in order to fulfil the deferral requirements stipulated in the Banking Code.

The performance cycle for all current Managing Board members began in 2009, meaning that by the end of 2012, long-term performance will be assessed by the Supervisory Board and payment, if any, will be made at the beginning of 2013. It is expected that payment of this incentive for the first performance period will be made in cash, but the Supervisory Board will consider future payment partly or fully in shares.

The agreed performance targets for the Managing Board's long-term variable remuneration component are also composed of financial and measurable non-financial targets, with an equal weighting of 50%. The targets are all strongly linked to the final target of a successful integration and consist of components such as cost/income ratio, risk-weighted profit, cost ceiling including integration costs, Tier 1 capital ratio and liquidity. The non-financial targets relate to finalisation of the integration, brand perception, client satisfaction, culture, diversity and sustainability. A threshold will apply for the long-term variable remuneration component such that on average, 75% of targets must be met before Managing Board members are entitled to the reward.

Assessment

Due to the capital actions in 2009 it has been agreed with the shareholders that the Managing Board members would not be eligible for a long-term variable remuneration component for the year 2009. The maximum pay-out for

the first four-year cycle will therefore be capped at three times the relevant percentage. The Supervisory Board will assess eligibility for the long-term variable remuneration at the end of 2012 retrospectively to 2010.

The Chairman of the Managing Board is not eligible for short-term variable remuneration but will be eligible for a special long-term incentive as decided by the shareholders, without the involvement of the ABN AMRO Supervisory Board.

Details on the remuneration of members of the Managing Board in 2010 are provided in note 44 to the Annual Financial Statements.

Ultimum remedium

The Supervisory Board has the authority to adjust variable remuneration and the possibility to reclaim variable remuneration that has already been paid to a Managing Board member ("clawback").

Supervisory Board

Remuneration policy

The Supervisory Board proposes the remuneration policy for the Managing Board members to the shareholders for approval and reviews it over time in line with developments relating to strategy, risk awareness, targets and values. In addition, external factors such as relevant market data with respect to governance, international context and generally accepted standards and principles are taken into account.

The Remuneration, Selection & Nomination Committee has followed developments with respect to the Capital Requirements Directive III (CRD III) and the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors (CEBS Guidelines) since mid-July 2010, which were finalised in December 2010. In the Netherlands, the supervision of DNB and AFM on remuneration is established in the *Besluit beheerst beloningsbeleid Wft* (Decree on Restrained Remuneration Policies) of 19 November 2010 and the provisions are further implemented in the *Regeling beheerst beloningsbeleid Wft 2011* (Supervisory Regulation on Restrained Remuneration Policies).

The Supervisory and Managing Boards have indicated that timely implementation of the new guidelines is of importance to the bank, and the Remuneration, Selection & Nomination Committee therefore discussed the implications and implementation during their meetings in 2010. It is expected that in order to fully align the remuneration policies for the Managing Board and Management Group members with the new variable remuneration and deferral guidelines, further adjustments will be made. The Managing Board is overseeing timely implementation, which is monitored by the Supervisory Board.

Benefits

In 2010 the Chairman and the members of the Managing Board participated in the ABN AMRO pension scheme. The pensionable salary of the Managing Board members is 100% of the annual base salary and the pension contribution is paid by the bank. Since 1 January 2006 the standard retirement age of Managing Board members has been 65, based on an average income (2.15% per year). Early retirement is an option. The ABN AMRO Pension Fund manages the pension plan. Managing Board members are also eligible to receive additional benefits, such as the use of a company car and a designated driver.

Appointment

Managing Board members are appointed for a period of four years. Further information is provided in the composition and profiles of the members of the Managing Board in the Corporate governance section.

Severance

In the event of redundancy, a severance payment up to a maximum of twelve monthly salaries will apply.

Remuneration of Supervisory Board members

The remuneration of members of the Supervisory Board is set by the General Meeting of Shareholders based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is proportional to the time required to perform their duties and is independent of ABN AMRO's financial results. ABN AMRO does not grant shares or options to Supervisory Board members in lieu of remuneration. Details on the remuneration of members of the Supervisory Board in 2010 are provided in note 44 to the Annual Financial Statements.

Managing Board report

strategy 3

Our strategy is a reflection of our mission, which is: ABN AMRO's first-rate professionals always exceed expectations, creating highly satisfied clients.

3.1 Strategy

ABN AMRO is an all-round bank, serving retail, private banking and commercial banking clients in the Netherlands and selectively abroad. In addition to its strong position in the Netherlands, ABN AMRO is internationally active in a number of specialised activities such as Energy, Commodities & Transportation and Clearing and in private banking in a select number of countries. To become an efficient and sustainable bank by 2012 and beyond, we will continue to focus on the following key strategic themes: client focus; maintaining a moderate risk profile while further improving the profitability of the bank; growing our activities; and integrating long-term perspectives into all our decisions.

Client focus

Our clients' success is our success

The success and satisfaction of our clients is the most important condition for our own success. Our top priority is to create enduring relationships with our clients. By understanding the needs of our clients and putting our know-how of banking to work for them, we deliver services that match our clients' ambitions.

We want to be an open and transparent bank with a continuous focus on innovation of our multi-channel distribution network.

We focus on client satisfaction among our retail clients by offering rationalised and accessible products, with understandable documentation.

We aim to be a trusted advisor to our private banking clients: professional, committed, independent and transparent.

We strive to maximise client satisfaction among our commercial clients by offering a comprehensive and innovative range of products supported by excellent product knowledge.

Our ambition is to be the bank of choice for all our clients in the Netherlands – retail, private and commercial – and to serve our clients abroad where their business takes them.

Moderate risk profile

We are entrepreneurial, but we never take risks we do not understand

We are building an entrepreneurial bank that strives to live up to our clients' expectations each and every day while achieving healthy returns without taking risks that we do not understand or cannot justify. We always take a long-term perspective in all our decisions.

Risk management is one of the bank's key activities, and the Chief Risk Officer is a member of the Managing Board. Our moderate risk profile is supported by the three lines of defence model:

- ▶ risk ownership: management in the business is primarily responsible for the risks it takes;
- ▶ risk control: setting up a framework, providing advice and monitoring execution;
- ▶ risk assurance: Group Audit evaluates the effectiveness of risk management, controls and processes and recommends solutions.

We aim to secure a strong capital and liquidity position ahead of the introduction of Basel III. We believe we are well positioned to face the challenges ahead.

To solidify the bank's financial position, we intend to strengthen our long-term funding position and liquidity profile by further diversifying funding sources and lengthening the maturity profile. Improving our funding and liquidity position will be an ongoing objective in the coming years.

Our integrated risk management approach should help us to achieve healthy and stable returns.

Financial ambition

We are cost-conscious, yet eager to invest in smart opportunities

Significant costs were incurred in 2010 for separation and integration activities. However, the bank is well on track to improving its profitability. Our focus is on strengthening our businesses and achieving significant cost savings by exploiting synergies between FBN and ABN AMRO.

We intend to solidify the bank's financial position in the years ahead, focusing on enhancing efficiency

and achieving healthy and stable returns, in line with our moderate risk profile and long-term perspective.

The targeted cost/income ratio following finalisation of the integration is 60 to 65%. We aim to achieve this target in part by realising annual pre-tax integration synergies of EUR 1.1 billion as of 2013, while at the same time making sure that the pre-tax integration costs to be incurred in the period 2009-2012 are capped at EUR 1.6 billion.

Culture and behaviour

Our people make the difference

We foster a culture that puts the client first in an effort to improve client satisfaction and increase work enjoyment. A culture that truly promotes our corporate values: Trusted, Professional and Ambitious.

We are a bank that is straightforward, yet disciplined and respectful. We are committed to the continuous personal and professional growth of our employees.

Our goal is to achieve a collective result, not individual success.

ABN AMRO's first-rate professionals strive to exceed expectations, ensuring high client satisfaction.

Growth

We want to grow in the Netherlands and selectively abroad

We aim to continue growing our market position in the Netherlands in all segments and will follow our clients and their business abroad. We will exploit our leading positions in private banking in the eurozone and Asia and internationally in a number of specialist activities in Energy, Commodities & Trading (ECT), Clearing and collateralised finance (factoring and lease in Western Europe).

The businesses of ABN AMRO are complementary and allow us to serve our retail, private and commercial clients well.

We focus on the activities and markets in which we are strong.

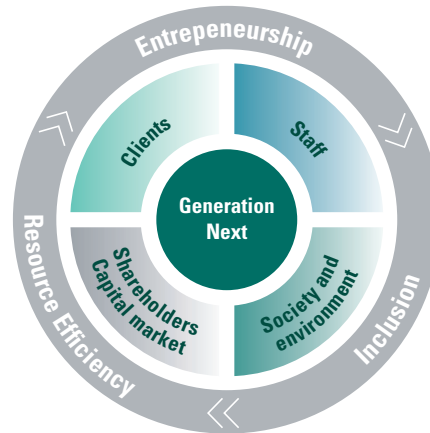
Sustainability

We integrate long-term perspectives into all our decisions

Our central sustainability theme, Generation Next, reflects the essence of our ambition: we are here for the long term and are taking into account the legitimate interests of our stakeholders – not only for today’s world, but for future generations too. Three key elements shape this theme: Entrepreneurship, Inclusion and Resource Efficiency. Our sustainability strategy is based on the following priorities:

- ▶ to expand on sustainable asset management;
- ▶ to facilitate the transition of our clients to a cleaner, more efficient economy;
- ▶ to fully embed sustainability in our risk management framework;
- ▶ to retain our leading position in community involvement through ABN AMRO Foundation.

We want to gain leadership in sustainability in the Netherlands.



3.2 Corporate values

Our values act as an ethical compass, form the core of our corporate culture and are the basis of everything we do.

Our corporate values are Trusted, Professional and Ambitious.

Trusted

We at ABN AMRO believe trust is all about establishing and maintaining lasting relationships. We take the time to get to know our clients by listening to their specific needs and aspirations.

Our goal is to find the products and services that are right for our clients. When we make a promise, we always live up to it; when we communicate with our clients, we are always straightforward and never have hidden agendas.

Our commitment to responsible banking means we carefully weigh risks and returns so that our clients know their money is in good hands at all times.

Professional

We at ABN AMRO understand banking. As true professionals, we have a thorough grasp of the banking industry and the discipline to achieve results.

We genuinely believe in our profession and take responsibility by saying “no” if saying “yes” would not do right by our clients.

We create solutions that are simple, understandable and workable, and we strive to improve ourselves every day by working together and learning from one another – and from our clients.

Ambitious

We at ABN AMRO are always stretching our boundaries and striving to achieve more for our clients.

We make it our business to know what’s going on in the market and to respond proactively, and we do everything possible to understand what our clients really need and to craft innovative solutions.

Our optimism about the future drives our ambition to offer our clients more. At ABN AMRO, we aren’t afraid to venture outside our comfort zone to put our ambition to work for our clients.

corporate governance 4

4.1 Governance prior to and after Legal Separation

This section explains the corporate governance structure at ABN AMRO as of the Legal Separation. A brief explanation of the corporate governance structure prior to the Legal Separation is also included. The Separation & Integration section provides further information on the Legal Demerger, Legal Separation and legal integration.

Governance prior to and after Legal Separation

Prior to Legal Separation, shares in RBS N.V. were held by ABN AMRO Holding and shares in FBN were held by the Dutch State. These companies had a two-tier corporate-governance system consisting of a Managing Board and a Supervisory Board. The Supervisory Board of ABN AMRO Holding and RBS N.V. had an Audit Committee and a Nomination & Compensation Committee. In addition, the Supervisory Board of FBN had a Risk & Capital Committee.

The Managing Board of ABN AMRO Holding and RBS N.V. consisted of Gerrit Zalm, Ron Teerlink, David Cole, Johan van Hall, Chris Vogelzang, Donald Workman, Javier Maldonado, Jeroen Kremers and Brian Stevenson. Its Supervisory Board consisted of Arthur Martinez, André Olijslager, Trude Maas-de Brouwer, Gert-Jan Kramer, Ana Maria Llopis Rivas, Juan Rodriguez Inciarte, Michael Enthoven and Miller McLean.

The Managing Board of FBN consisted of Jan van Rutte, Fred Bos, Jeroen Dijst and Frans van der Horst. Its Supervisory Board consisted of Hessel Lindenbergh, Inge Brakman, Michael Enthoven, Erik van de Merwe,

Ada van der Veer-Vergeer and H el ene Vletter-van Dort. The Managing Boards were responsible for the day-to-day management of these companies and the Supervisory Boards supervised the Managing Board as well as the companies' general course of affairs and their business prior to Legal Separation.

Governance after Legal Separation

ABN AMRO Group is a public company with limited liability incorporated on 18 December 2009 under the laws of the Netherlands. The company has a two-tier system of corporate governance consisting of a Supervisory Board and a Managing Board. ABN AMRO Group and ABN AMRO Bank share the same Managing Board, Supervisory Board and committees of the Managing Board and Supervisory Board. From the Legal Separation until the Legal Merger, FBN also shared the same Managing Board and Supervisory Board. Under the Legal Merger, FBN ceased to exist.

4.2 Managing Board

Responsibilities of the Managing Board

The members of the Managing Board collectively manage ABN AMRO and are responsible for its strategy, structure and performance. In carrying out their duties, the members of the Managing Board are guided by the interests and continuity of ABN AMRO and its businesses. The Managing Board carefully considers the interests of all of ABN AMRO's stakeholders, such as its clients and employees, its shareholders and society at large. The Managing Board is accountable for the performance of its duties to the Supervisory Board and the General

Meeting of Shareholders. The Managing Board has installed a number of committees that are responsible for decision-making on certain subjects and advising the full Board on relevant matters.

Appointment, suspension and dismissal

Managing Board members are appointed by the General Meeting of Shareholders. The Supervisory Board nominates one or more candidates for each vacant seat. If the candidate nominated by the Supervisory Board is not appointed, the Supervisory Board is asked to nominate a new candidate. If the new candidate is also not appointed, then the General Meeting of Shareholders is free to appoint a candidate of its choice. The Chairman and Vice-Chairman of the Managing Board are appointed by the Supervisory Board from among the members of the Managing Board.

Only candidates whom De Nederlandsche Bank (DNB) has declared meet the requirements in the banking licence as described in the Financial Supervision Act are eligible for appointment.

The Supervisory Board and the General Meeting of Shareholders have the authority to suspend members of the Managing Board. Members of the Managing Board can only be dismissed by the General Meeting of Shareholders.

Composition and profiles of the members of the Managing Board

Curriculum vitae of each member of the Managing Board are provided at www.abnamro.com and in the Composition of the Managing Board section. An overview of the present composition of the Managing Board is provided below. There were no retirements from the Managing Board in 2010.

Managing Board

Gerrit Zalm	Chairman	(58, M)
Jan van Rutte	Chief Financial Officer / Vice-Chairman	(60, M)
Johan van Hall	Chief Operating Officer	(51, M)
Caroline Princen	Integration, Communication & Compliance	(44, F)
Wietze Reehoorn	Chief Risk Officer and Strategy	(48, M)
Chris Vogelzang	Retail & Private Banking	(48, M)
Joop Wijn	Commercial & Merchant Banking	(41, M)

Age and gender between brackets. All members of the Managing Board are Dutch.

ABN AMRO Group was incorporated under the laws of the Netherlands on 18 December 2009 by the Dutch State at which date Jan van Rutte and Johan van Hall were appointed members of the Managing Board of the company. Immediately following the completion of the Legal Separation of ABN AMRO Bank from RBS Holdings N.V. on 1 April 2010, the General Meeting of Shareholders of ABN AMRO Group appointed Gerrit Zalm, Caroline Princen, Wietze Reehoorn, Chris Vogelzang and Joop Wijn as members of the Managing Board.

As part of the Legal Demerger of the business acquired by the Dutch State from RBS N.V. into ABN AMRO Bank on 6 February 2010, Gerrit Zalm, Johan van Hall and Chris Vogelzang were appointed members of the Managing Board of ABN AMRO Bank. As of the

completion of the legal transfers of ABN AMRO Bank and FBN to ABN AMRO Group and establishment of the ABN AMRO group of companies owned and controlled by the Dutch State on 1 April 2010, ABN AMRO Group and ABN AMRO Bank share the same Managing Board, Supervisory Board and committees of the Managing Board and Supervisory Board. Consequently, Jan van Rutte, Caroline Princen, Wietze Reehoorn and Joop Wijn were appointed to the Managing Board of ABN AMRO Bank on 1 April 2010.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Managing Board members of ABN AMRO are appointed for a maximum period of four years, after which a Board member may be reappointed for a term of not more than four years

if the Board member functions adequately. The current tenures of the respective members of the Managing Board will therefore terminate at the Annual General Meeting of shareholders of ABN AMRO Group in 2014.

A detailed description of the various legal and operational separation and integration activities undertaken by ABN AMRO in 2010 is provided in the Separation & Integration section.

4.3 Supervisory Board

A detailed description of the responsibilities, activities, composition and profiles of the members of the Supervisory Board is provided in the Report of the Supervisory Board.

4.4 Shareholders

Shareholder structure

The Dutch State holds all ordinary shares in ABN AMRO Group and has full control over ABN AMRO Group. ABN AMRO Preferred Investments B.V. holds all class A non-cumulative preference shares in ABN AMRO Group. ABN AMRO Group's shares are not publicly listed.

General Meetings of Shareholders

General Meetings of Shareholders are normally held each year in March or April. They allow shareholders to discuss the course of business in the preceding financial year on the basis of reports prepared by the Managing and Supervisory Boards, and to decide on the distribution of dividends or other distributions.

Extraordinary Meetings of Shareholders were held on three occasions in 2010: a meeting was held on 29 June to approve the Legal Merger of ABN AMRO Bank and FBN; a second meeting was held on 9 July to explain the company's risk appetite and funding strategy; and a third meeting was held on 2 December to discuss the company's capital and funding plan and dividend policy, and to approve the risk appetite and publication of the annual accounts and Annual Report in English.

In 2010 the General Meeting of Shareholders passed the following resolutions outside a meeting: (i) determination of the remuneration policy for the Managing Board; (ii) determination of the remuneration of the members of the Supervisory Board; (iii) appointment of KPMG Accountants N.V. as external auditor; and (iv) appointment of Rik van Slingelandt as a member of the Supervisory Board.

4.5 Corporate governance at ABN AMRO

Good corporate governance is critical to ABN AMRO's ability to realise its strategic goal of creating sustainable long-term value for all its stakeholders, including clients, shareholders, employees and society at large. ABN AMRO believes that corporate governance codes that meet high international standards significantly boost confidence in Dutch companies and that application of these codes by financial institutions is crucial to restoring trust in the financial sector as a whole.

In order to achieve effective corporate governance, ABN AMRO has organised the company in a way that promotes first-class stewardship by the Managing Board and effective supervision by the Supervisory Board. Integrity, transparency and accountability are key elements of ABN AMRO's corporate governance, as they are in the Group's business as a whole. These key elements ensure that the controls and oversight necessary for effective risk management, proper compliance with regulations, and accurate and complete disclosure of information to the market are in place and functioning well.

Corporate Governance Committee

To promote good corporate governance, ABN AMRO installed a Corporate Governance Committee in 2010. One of the responsibilities of this committee is to ensure that corporate governance principles and best practices are accepted and supported throughout the entire organisation. The Corporate Governance Committee is chaired by the Company Secretary. Its members include representatives of Commercial & Merchant Banking, Retail & Private Banking, Legal, HR, Compliance, Investor Relations, Sustainability, Risk and Audit.

4.6 Dutch Corporate Governance Code

Although ABN AMRO – as a non-listed company – is not required to adhere to the Dutch Corporate Governance Code, it continues to place importance on a transparent governance structure and substantially adheres to the Dutch Corporate Governance Code. ABN AMRO is pleased to confirm that it observes the relevant principles and best practice provisions of the Corporate Governance Code, with the exception of the following principles and best practice provisions II.1.3, II.3.2 – II.3.4, III.4.4, III.6.1 – III.6.3, IV.3.1 and IV.3.4. The explanation regarding these deviations is provided below.

Given ABN AMRO Group's specific corporate structure, several parts of the Corporate Governance Code either do not apply or need to be adapted to fit ABN AMRO's structure. ABN AMRO believes that best practice provisions II.1.9, IV.1.2, IV.1.7, IV.3.8 and IV.3.13 are not applicable because ABN AMRO Group's shares are not publicly listed and the Dutch State controls the voting rights in ABN AMRO Group. Principle III.8 and best practice provisions III.8.1 – III.8.4 are not applicable because ABN AMRO Group has a two-tier board and principle IV.2 and best practice provisions IV.2.1 – IV.2.8 are not applicable because ABN AMRO has not issued any depositary receipts for shares.

Best practice provision II.1.3(b) provides that the company shall employ a code of conduct as instruments of the internal risk management and control system, which should be published on the company's website. ABN AMRO Bank and FBN had their own sets of general and more specific codes of conduct until the Legal Merger. After the Legal Merger, ABN AMRO adopted the core values Trusted, Professional and Ambitious. In addition, specific harmonised codes of conduct have been developed by Risk, Compliance and Sustainability, for example with regard to private investment transactions, donations, secondary activities, the three lines of defence risk model and risk-aware behaviour. An overarching set of general rules of conduct is currently being formulated and will be posted on the bank's website as soon as it has been finalised. According to the latest Culture Scan conducted among the bank's workforce,

it appears that the bank's employees have a higher risk awareness than the benchmark.

Principle II.3 provides that any conflict of interest or apparent conflict of interest between the company and Managing Board members shall be avoided. Decisions to enter into transactions under which Managing Board members would have conflicts of interest that are of material significance to the company and/or to the relevant Managing Board member require the approval of the Supervisory Board. This principle has been elaborated in best practice provisions II.3.1 to II.3.4.

ABN AMRO does not fully apply best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 insofar as one or more Managing or Supervisory Board members have a qualitative conflict of interest that is exclusively the result of the fact that the composition of the Managing Board and the Supervisory Board of ABN AMRO Group and ABN AMRO Bank are identical. The full Supervisory Board shall ensure that such a possible conflict of interest has no disproportionately negative impact. Furthermore, all transactions in which there are such conflicts of interest shall be agreed on terms that are customary in the sector concerned.

Principle III.6 provides that any conflict of interest or apparent conflict of interest between the company and Supervisory Board members shall be avoided. Decisions to enter into transactions under which Supervisory Board members would have conflicts of interest that are of material significance to the company and/or to the relevant Supervisory Board members require the approval of the Supervisory Board. The Supervisory Board is responsible for deciding how to resolve conflicts of interest between Managing Board members, Supervisory Board members, major shareholders and the external auditor on the one hand and the company on the other. This principle has been elaborated in best practice provisions III.6.1 to III.6.7.

Best practice provision III.4.1(f) provides that the chairman of the Supervisory Board has to ensure that the Supervisory Board elects a vice-chairman.

Best practice provision III.4.4 provides that the vice-chairman of the Supervisory Board shall deputise for the chairman when the occasion arises and that the

vice-chairman shall act as contact for individual Supervisory Board members and Managing Board members concerning the functioning of the chairman of the Supervisory Board.

Given the recent appointment of the Supervisory Board, ABN AMRO fully applies best practice provision III.4.1 with the exception of sub f of this best practice provision and ABN AMRO does not yet apply best practice provision III.4.4. The Vice-Chairman of the Supervisory Board will be appointed by the Supervisory Board in 2011.

Best practice provision IV.3.1 provides that meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone. After the meetings, the presentations shall be posted on the company's website.

ABN AMRO did not fully comply with best practice provision IV.3.1 insofar as the bank did not publicly announce its press conferences beforehand. The bank aims to publicly announce its press conferences on its website in 2011. All presentations and press releases published were made available on the company's website and will remain accessible for a minimum of five years.

Best practice provision IV.3.4 provides that analysts meetings, presentations to institutional or other investors and direct discussions with the investors may not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

ABN AMRO did not fully comply with the best practice provision IV.3.4 insofar as the bank did not disclose the quiet periods on its website. In addition, in order to introduce ABN AMRO following the Legal Merger, a limited number of investor meetings took place during the quiet period. The bank aims to adhere to this best practice in 2011.

4.7 Dutch Banking Code

The Dutch Banking Code came into effect on 1 January 2010 and sets out principles that banks with a banking license issued by DNB should observe in terms of corporate governance, risk management, audit and remuneration. ABN AMRO Group N.V. does not have a banking licence. The Dutch Banking Code applies to ABN AMRO Bank, which is the main entity that holds a banking licence. Information on other subsidiaries of ABN AMRO Group which hold banking licences is provided on page 29.

ABN AMRO is deeply committed to complying with the Banking Code and devotes a great deal of effort to ensuring that the spirit of the code is reflected in the behaviour of employees and in the culture of the bank.

ABN AMRO Bank and the Dutch Banking Code

In December 2010, ABN AMRO Bank published a principle-by-principle account of its compliance with the Banking Code on www.abnamro.com. In addition, a chapter-by-chapter explanation of the implementation of the Banking Code is provided below, whereby the lifelong learning programme and the measures taken to ensure that employees act in the interests of clients of ABN AMRO Bank are addressed separately. ABN AMRO Bank is pleased to confirm that it fully complies with the principles of the Banking Code with the exception of one deviation, which is explained below.

Supervisory Board

As a new Supervisory Board for ABN AMRO Bank was appointed in April 2010, all of the Banking Code's principles on composition and expertise were taken into account. The Supervisory Board thus possesses all the disciplines and skills required to adequately perform its duties.

As part of its supervisory duties, the Supervisory Board devotes special attention to ABN AMRO's risk management. The Supervisory Board has installed a Risk & Capital Committee, an Audit Committee and a Remuneration, Selection & Nomination Committee. All committees are composed in line with the Banking Code's requirements as regards competency and experience.

A complete overview of the composition of the Supervisory Board, its committees and its activities is provided in the Report of the Supervisory Board.

Managing Board

The Banking Code's principles on composition and expertise were taken into account when the members of the Managing Board were appointed in 2010. The Board's diverse composition and its members' different backgrounds support wide-ranging and constructive debate and well-informed decision-making. A complete overview of the composition of the Managing Board is provided in the Composition of the Managing Board section.

All members of the Managing Board of ABN AMRO Bank have signed the declaration of moral and ethical conduct recommended in the Banking Code. The signed declarations are published on www.abnamro.com. Furthermore, ABN AMRO has translated the declaration and ABN AMRO's core values – Trusted, Professional and Ambitious – into principles that form guidelines for the behaviour of its employees.

Lifelong learning programme

In 2010, ABN AMRO Bank launched a lifelong learning programme for members of the Managing and Supervisory Boards. The programme is designed to keep the members' expertise up to date and to broaden and deepen their expertise where necessary. Parts of the programme are organised in cooperation with a well-known global financial training institution and address subjects such as governance and ethics, finance and risk. Other parts consist of presentations by and meetings with senior ABN AMRO managers.

Duty of care towards clients

For ABN AMRO, placing the client first means having the client's best interest at heart and acting accordingly. This is an important, explicit element of the desired corporate culture: ABN AMRO wants to be a bank that always puts its clients first and creates sustainable long-term value for all its stakeholders, including clients, shareholders, employees and society at large. This is also reflected in the bank's corporate values: Trusted, Professional and Ambitious. Trusted: solid, personal and relationship-oriented; Professional: skilled, disciplined and discerning; and Ambitious: motivated, decisive and result-driven.

Putting the client first is a matter of continued and dedicated focus, and is not limited in time or scope. It is a way of thinking, which every member of staff should adopt and that should permeate every process in the bank, whether client-facing or operational.

Clients appreciate direct and swift answers. To help staff deal directly with client requests, the bank has increased decision-taking powers and responsibilities of client-facing staff. Putting the client first means taking responsibility by saying "no" if saying "yes" would not do right by the client. Education is important, and tools such as serious gaming, giving staff the opportunity to practice everyday situations and dilemmas, have proved to be a helpful means to achieving this. Clients want clarity: communication should be clear and straightforward. To this end, product information has been rewritten according to guidelines. Client panels have been established and are consistently used to test communication prior to distribution. Clients want products and services that fit their needs and aspirations, so ABN AMRO devotes considerable time and effort to making sure it understands its clients and to testing and checking its products both before and after they have been introduced. Existing products are tested to make sure they are in the client's interests and that they fit their needs and risk profile. For example, after reviewing its saving products, the bank reduced the number and simplified the savings accounts available to clients. All offer clear terms and conditions and are available both online and via branches, and clients, who appreciate that, are informed proactively of rate changes.

Risk management

According to the principles of the Banking Code, the Risk Management department has a clear mandate at Managing Board level. The overall responsibility of the risks assumed by the bank rests with the Chief Risk Officer (CRO), who is a member of the Managing Board, and with the Chairman of the Managing Board.

The CRO operates independently of commercial activities. The CRO is involved in decisions that are crucial to the bank because of their material impact and decisions related to financial stability and system risks that might endanger the bank's risk profile.

The Risk & Capital Committee is the advisory body to the Supervisory Board and accountable for annual approval of the bank's risk appetite and regular strategic reviews of the bank's activities in relation to this risk appetite. Other objectives of this committee are regular evaluation of ABN AMRO's risk management functions and framework, including the decision-making process and decisions that have a material impact on the allocation of capital, liquidity and/or the risk profile of the bank.

ABN AMRO's risk strategy follows the bank's corporate strategy. The risk appetite clarifies the use of risk capacity across the different risk types, businesses and operating entities, optimising risk and return. The enterprise wide risk profile of ABN AMRO is discussed frequently in the Managing Board.

ABN AMRO's risk management functions operate collectively to support the Managing Board in exercising its responsibilities. Further information on risk management and ABN AMRO's risk strategy is provided in section 7 of this Report.

Audit

ABN AMRO is in full compliance with the requirements for audit set out in the Banking Code. The Managing Board oversees the adequate functioning of governance, risk management and control processes based on reports received from the Risk, Group Audit and Compliance functions and through participation of Managing Board members in the relevant committees. As a result of the Strategic Risk Assessments process implemented in 2010 at senior management/Managing Board level, the 2010 Annual Report includes a "Management Control Statement."

The Managing Board relies on the independent functioning of Group Audit. This Internal audit function reports directly to the Chairman of the Managing Board and the Audit Committee of the Supervisory Board and prepares an annual audit plan based on risk analysis approved by the Audit Committee. Group Audit reports its findings and concerns resulting from the execution of the annual audit plan on a quarterly basis to the Managing Board and the Audit Committee of the Supervisory Board.

In 2010, Group Audit devoted attention to implementation of the Banking Code as from 1 July and will assess adherence to the Code on an annual basis going forward.

Group Audit, the external auditor and DNB meet at least semi-annually to discuss planning, risk analysis and findings from internal and external audits and regulatory reviews.

Remuneration Policy

A new remuneration policy was established for the combined bank in 2010, which takes the principles of the Banking Code into account. The policy for the members of the Managing Board and Management Group is described in the Supervisory Board's remuneration report. ABN AMRO fully complies with the Banking Code principles on remuneration with the exception of principles VI.4.1. and VI.4.2.

Best practice provision VI.4.1 stipulates that the allocation of variable remuneration shall be related to the bank's long-term objectives.

The remuneration policy of the Managing Board and Management Group is aligned with best practice provision VI.4.1. The proper alignment of the discretionary variable remuneration paid to a limited number of employees governed by the collective labour agreement and/or employees in ABN AMRO's international network, with the bank's long-term objectives, is under review. The impact of new legislation will be taken into account when drawing up a new policy.

Best practice provision VI.4.2. states that every bank shall set a maximum ratio of variable remuneration to fixed salary that is appropriate for the bank in question. The variable remuneration per annum of members of the Managing Board shall not exceed 100% of the member's fixed salary.

ABN AMRO applies this principle for the Managing Board and Management Group. Annual variable remuneration for the Managing Board does not exceed 60% of the annual base salary and for the Management Group a maximum of 100% applies. For the remainder of the workforce, ABN AMRO is implementing a maximum ratio between variable and fixed remuneration. Different ratios

might apply depending on geographical location and business line.

Subsidiaries of ABN AMRO and the Dutch Banking Code

ABN AMRO Bank has nine Dutch subsidiaries with a banking licence from DNB: ABN AMRO Commercial Finance N.V. (ACF), ABN AMRO Groenbank B.V. (Groenbank), ABN AMRO Hypotheken Groep B.V. (AAHG), Direktbank N.V. (Direktbank), ABN AMRO Clearing Bank N.V. (AACB), International Card Services B.V. (ICS), ABN AMRO Agaathbank B.V., ABN AMRO Agaathbank II B.V. and CMV Bank B.V. The latter three subsidiaries are not active and will be liquidated. ABN AMRO therefore does not report on compliance with the Banking Code with respect to these subsidiaries. The other subsidiaries with a banking licence are hereafter referred to as the “subsidiaries”.

ABN AMRO applies the principles of the Banking Code in full to all relevant entities within its group of companies on a consolidated basis. In accordance with ABN AMRO’s management framework, all members of the group are an integral part of the ABN AMRO organisation. The management framework entails that the bank’s policies and standards related to compliance with internal and

external regulations and best practices are applicable to the full group and consequently are defined at group level for implementation within the different parts of the organisation.

ABN AMRO’s aim with regard to the roll-out of group-wide policies and standards designed to ensure compliance with the Banking Code is to define the extent to which the group companies should comply with the spirit of the Code and to ensure that the intentions behind the Banking Code are reflected appropriately and adhered to at all parts of the organisation. Considering the varying business activities, organisation and risk frameworks of the relevant subsidiaries, the actual implementation of the group-wide policies and standards within the subsidiaries may differ from the manner in which these are addressed in other parts of the organisation.

A substantial explanation of the manner in which the Dutch Banking Code principles are applied by the relevant ABN AMRO subsidiaries with a banking licence is published on ABN AMRO’s website and is frequently updated to reflect the ongoing efforts of ABN AMRO in ensuring that the principles of the Code apply to its full group of companies.

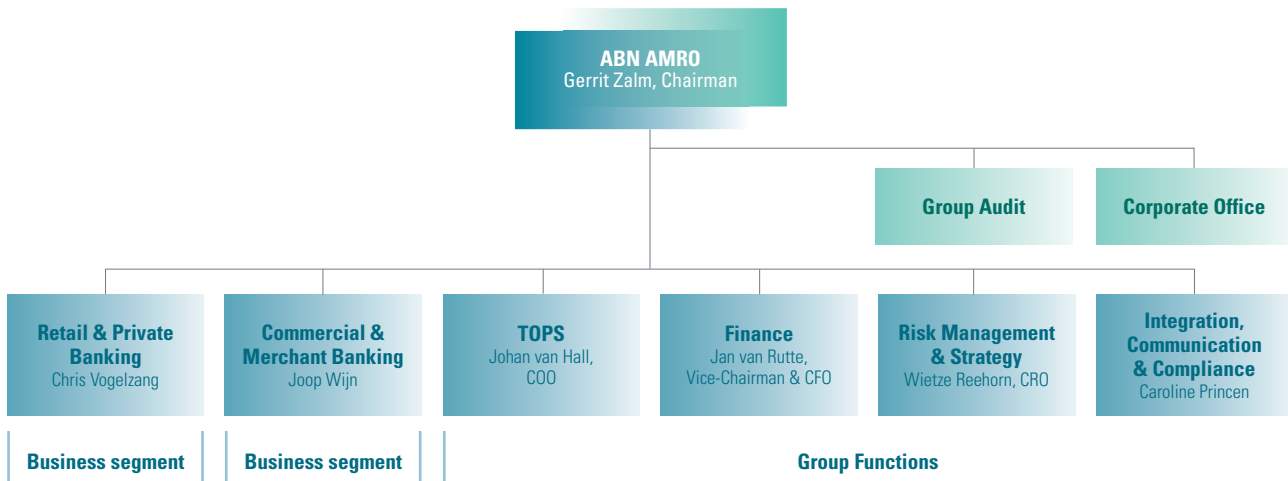
business overview 5

ABN AMRO's organisational structure reflects its business structure since 1 July 2010. The organisation consists of the following units:

- ▶ Two client centres, Retail & Private Banking (R&PB) and Commercial & Merchant Banking (C&MB);
- ▶ Group Functions, consisting of Technology, Operations & Property Services (TOPS), Finance, Risk Management & Strategy (RM&S) and Integration, Communication & Compliance (ICC).

Each member of the Managing Board is responsible for either a client centre or a support centre within Group Functions. The Chairman of the Managing Board oversees the general management of ABN AMRO and is responsible for Group Audit and the Corporate Office, as shown in the diagram below.

This section describes each segment, including a review of activities in 2010. A description of the products offered and clients served by each business line is also provided.



Retail & Private Banking

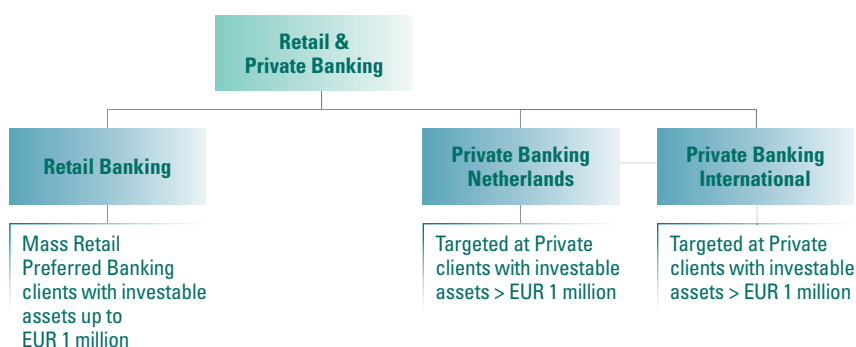
Key achievements in 2010

- ▶ Migration of 1.6 million FBN retail clients to ABN AMRO's products and systems
- ▶ Smooth integration of 153 FBN and 501 ABN AMRO retail branches, resulting in a nationwide footprint of 508 retail branches
- ▶ Successful separation and integration of ABN AMRO Private Banking activities outside the Netherlands
- ▶ Full rebranding of Private Banking operations in the Netherlands
- ▶ Resourcing of all employees in retail and private bank concluded with minimal client impact
- ▶ Simplification of savings product offering
- ▶ Increased transparency of mortgage offering
- ▶ Expansion of open architecture platform for Private Banking clients
- ▶ ABN AMRO MeesPierson selected as best private bank in the Netherlands (source: Euromoney Survey 3 February 2011)
- ▶ ABN AMRO named Best in Online Banking 2010 by the Dutch Consumers' Association (*Consumentenbond*)
- ▶ Delbrück Bethmann Maffei awarded Summa Cum Laude by the German "Elite Report der Vermögensverwalter 2011" for the fourth consecutive year, and Very Good in Euro Test Private Banking 2010 (*Euro Magazine*, June 2010)

Key facts and figures 2010

Key indicators	Full Year
▶ Underlying operating income (in EUR million)	4,765
▶ Underlying net profit (in EUR million)	1,191
▶ Total loans (in EUR billion)	185.8
▶ Mortgages loans (in EUR billion)	161.2
▶ Total deposits	125
▶ RWA (in EUR billion)	49.6
▶ Retail branches	508
▶ FTEs	11,132
▶ Private Banking AuM (in EUR billion)	164.2
▶ Clients	6.8 million retail clients
▶ Internet Banking users	Approx. 2.7 million
▶ Market position	<ul style="list-style-type: none"> ▶ No. 1 private bank and No. 3 retail bank in the Netherlands ▶ No. 3 private bank in the eurozone ▶ 20% market share in retail deposits and mortgages ▶ Global market leader with 25% market share in lending to diamond industry

Retail & Private Banking (R&PB) consists of Retail Banking, Private Banking Netherlands and Private Banking International, each of which serves a different client base with a tailored business proposition.



Retail Banking serves Mass Retail and Preferred Banking clients¹⁾ and offers a wide variety of banking and insurance products and services through the branch network, online, via contact centres, via intermediaries and through subsidiaries.

Private Banking provides total solutions to its clients' global wealth management needs and offers a rich array of products and services designed to address their individual needs. Private Banking operates as one private bank in terms of client service, product offering and ambition, and is the centre of expertise for investment services, while Retail Banking acts as a knowledge centre for savings and loans for both Retail and Private Banking Netherlands. For managerial purposes Private Banking is organised into two entities: Private Banking Netherlands, operating under the brand name ABN AMRO MeesPierson, and Private Banking International, operating under the brand name ABN AMRO Private Banking and local brands such as Banque Neuflyze OBC in France and Delbrück Bethmann Maffei AG in Germany. The International Diamond & Jewelry Group (ID&JG), a global market leader in offering financial services to the diamond and jewellery industry, is part of Private Banking International.

2010 activities

Retail Banking

Retail Banking had a very challenging year, integrating two major retail banks while conducting business as usual and minimising the impact of the merger on service levels. This complex, far-reaching operation has proved to be successful thanks to efficient planning and thorough execution on both the business and the technical sides. A resourcing process was carried out among Retail Banking staff which was finalised at the end of 2010.

In keeping with the bank's ambition to put the client's needs first, ABN AMRO has improved product transparency: savings products have been reduced to three standard forms – short-, medium- and long-term savings – and mortgage documentation has been

improved by simplifying terms and conditions and product descriptions. Staff was trained accordingly.

ABN AMRO also introduced a series of successful interactive web seminars for retail investment clients. ABN AMRO's online investment proposition was named Best Online Grootbank (major bank) by IEX Netprofiler Internet survey, thanks to the bank's improved streaming platform, Tradebox, high service and competitive prices.

To further improve the efficiency and client service of its mortgage process, ABN AMRO decentralised credit acceptance from its central mortgage unit to the branches, while at the same time increasing the number of staff who advise on mortgages. This involved investments in staff training, new processes and systems.

To monitor and optimise the quality of mortgage advice to clients, the bank invested in a central quality desk that thoroughly reviews all advice on new mortgages given by the branches and Client Contact Centres. The quality desk is part of a broader approach including the definition of standards for advice to clients, communication, training, monitoring and coaching.

Going forward, ABN AMRO aims to further redesign and simplify processes, and innovate channel and product development, while continuing to put the client's interest first. The bank also aims to integrate the subsidiaries into the business.

Private Banking

After the Legal Merger, ABN AMRO rebranded its Private Banking operations in the Netherlands to ABN AMRO MeesPierson to reflect the strong brand value of both entities. Private Banking operations elsewhere are conducted under other established brands, including ABN AMRO Private Banking, MeesPierson, Banque Neuflyze OBC and Delbrück Bethmann Maffei.

ABN AMRO carried out a resourcing process among Private Banking staff in 2010, which was finalised in October. The aim was twofold: to achieve synergies while minimising the potential impact of the integration

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

on clients by limiting changes to client service teams, and to lay the foundations for the technical integration of the Dutch systems which will take place in 2011. Internationally, the Private Banking operations were successfully separated from RBS N.V. and transferred to new IT platforms without any disruption of service to clients.

In alignment with its mission to be a trusted advisor to clients and to put clients' interests first, Private Banking redesigned its product philosophy by establishing a global Product & Solutions team that serves the entire bank and addresses the investment product needs of retail and private banking clients. This allows the bank to bundle capabilities and expertise, leverage scale, share best practices, streamline policies, monitor consistency and ensure transparency. Its open architecture platform has also expanded, with the best funds being selected from an extensive list of providers that are carefully scrutinised by AA Advisors, an independent investment funds expertise centre that performs quantitative and qualitative analyses with a view to selecting the best available funds globally.

Going forward, Private Banking staff will continue to work according to the trusted advisor principles. Certified training at leading business schools such as INSEAD will support these ambitions in the period ahead. In addition, we aim to separate the ID&JG activities from RBS and complete the integration and migrate the systems of Private Banking in the Netherlands to a single platform with minimal disruption for our clients. In addition, Private Banking wants to accelerate its growth ambition.

Retail Banking

To make the client feel truly appreciated by ABN AMRO.

We believe we will only be successful by building sincere, lasting relationships with all our clients. All our efforts are aimed at putting the client first.

Business scope

Retail Banking is the number 3 retail bank in the Netherlands, serving approximately 6.8 million individuals and offering professional advice and best-in-class products to retail clients at all stages

of their lives. In an effort to put the client centre stage, ABN AMRO aims to:

- ▶ offer a transparent range of products;
- ▶ provide integrated, relevant and outstanding advice and make fewer referrals (one-stop shop);
- ▶ stay close to the market. The branch network is very dense, the 24/7 telephone service is available 365 days a year, and the online banking facilities rank among the best in the industry;
- ▶ achieve maximum effectiveness in serving clients by giving staff the authority to serve clients directly.

ABN AMRO offers various sustainable products in response to increasing demand from its clients. The bank also takes its corporate responsibility seriously, as witnessed, for example, by the fact that ABN AMRO Foundation organised financial education lessons for primary schools in 2010.

Clients

Retail Banking serves two client segments with corresponding services based on income and assets.

Mass Retail

ABN AMRO serves approximately 6 million Mass Retail clients through a variety of channels, with branded propositions targeting specific groups (young professionals, students and children). The bank introduced a new loyalty programme in May 2010 called Extra, which offers monthly discounts on tickets to sports, cultural, entertainment and art events. A new edition of Extra is available every month at www.abnamro.nl/extra.

Preferred Banking

Preferred Banking is ABN AMRO's servicing concept for approximately 800,000 clients who have a net monthly income exceeding EUR 5,000 or EUR 50,000 – EUR 1 million in investable assets. Preferred Banking clients are assigned a relationship manager with in-depth expertise to cater to the clients' specific needs, have access to specialists (investment managers and financial and estate planners) and enjoy exclusive services (e.g. special events and economic insights).

Multi-channel distribution

ABN AMRO offers its products, information and services via a multi-channel distribution network, including the branch network, the internet, four Client Contact Centres that provide 24/7 telephone service, intermediaries and subsidiaries. The network of 508 branches is spread across the Netherlands. Each branch offers comprehensive expertise and advice on all of the bank's consumer products and services, while specialised advisors provide mortgage and investment advice. Clients visit branches less frequently each year, while direct channels are becoming increasingly popular and efficient, one reason why the four Client Contact Centres, for example, are expanding into full-service and advice centres.

Approximately 2.7 million clients use Internet Banking, and this number is growing steadily. To keep pace with rapid technological developments and to meet the demand for 24/7 service, the bank is focusing on improving and innovating internet and mobile applications and has set up a 24/7 Webcare team that responds to comments and questions about ABN AMRO on the internet (Twitter, Facebook, Hyves, etc.).

Transparent products

Deposits

ABN AMRO now provides three basic savings products – short-, medium- and long-term savings – and special savings products for specific purposes or client groups (children, young professionals). The bank also offers an email service that informs clients of the latest savings rates. ABN AMRO has a domestic market share in retail deposits of approximately 20%¹⁾ making it the country's third-largest bank based on retail deposits.

Consumer loans and facilities

ABN AMRO offers four basic types of loans and facilities – overdraft facilities, revolving loans, personal loans and revolving loans based on collateral – plus loans and facilities for specific target groups. The Consumer Credit Directive was introduced for all loans and facilities in 2010 in compliance with new European rules for credits.

Mortgages

The Dutch mortgage market is a competitive and mature market that is increasingly influenced by rules and regulations for credit policy, cost transparency and remuneration of intermediaries.

ABN AMRO offers mortgages in the Netherlands under various brands, ensuring flexibility and free choice for clients. The bank mainly offers mortgages under the brands ABN AMRO (main brand), Florius (focused on intermediaries) and MoneYou (online). ABN AMRO also offers private and white labelled products to large intermediaries and insurance companies. The combined market share of all ABN AMRO brands in the Dutch mortgage market is approximately 20% (new origination).²⁾

Investments

There are three main categories of investment service for clients: (i) execution only, in which case clients only use the bank's execution capabilities; (ii) advisory service, which offers clients advice on investments; and (iii) discretionary portfolio management, in which case the bank takes portfolio decisions based on a mandate given by the client. ABN AMRO offers a total of six types of investment proposition, and clients can invest in local and foreign stocks, bonds and derivatives.

Retail clients can now benefit from a more sophisticated product offering previously only available to Private Banking clients. See the Private Banking section for further information.

Main subsidiaries

The following subsidiaries³⁾ of ABN AMRO Bank related to Retail Banking are:

Direktbank

Direktbank N.V. (Direktbank) sells mortgages and service products and works exclusively with independent mortgage advisors. Direktbank is the result of a merger between Direktbank and Fortis Hypotheekbank N.V. on 30 August 2010.

¹⁾ According to CBS (Dutch central statistics office) data (based on Dutch central bank figures).

²⁾ According to the Dutch Land Registry Office (Kadaster).

³⁾ Unless explicitly indicated otherwise, all subsidiaries are 100% wholly-owned by ABN AMRO Bank.

ABN AMRO Hypotheken Groep

ABN AMRO Hypotheken Groep B.V. (AAHG), founded in January 2006, is the supplier of all ABN AMRO-labelled residential mortgage products and is the legal and economic owner of the residential mortgage portfolios of its Florius brand and of its subsidiary MNF Bank N.V.

MoneYou

MoneYou B.V. (MoneYou) operates as an internet bank offering savings accounts to consumers and commercial clients and residential mortgages and consumer lending in the Netherlands.

Alfam

Alfam Holding N.V. (Alfam) is ABN AMRO's competence centre for consumer finance. Alfam sells consumer loans via intermediaries under three different labels: Alpha Credit Nederland, Credivance and Defam.

International Card Services

International Card Services B.V. (ICS) is ABN AMRO's credit card specialist. ICS issues, promotes, manages and processes credit card transactions and offers other financial services, such as revolving credit facilities.

ABN AMRO Verzekeringen

Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (ABN AMRO verzekeringen) is a joint venture founded in 2003 with Delta Lloyd in which ABN AMRO holds a 49% stake. ABN AMRO Verzekeringen offers life and non-life insurance products to consumers and commercial clients under the ABN AMRO brand. ABN AMRO acts as an intermediary for ABN AMRO Verzekeringen by selling and providing advice on a comprehensive range of life and non-life insurance products, for which ABN AMRO receives commission payments.

ABN AMRO Verzekeringen obtained the quality label for client-oriented insurance companies (Keurmerk Klantgericht Verzekeren) in 2010. This quality label guarantees transparent information, client service, availability of services and product quality. Its life insurance policy was awarded five stars – the highest product rating – by market reviewer Moneyview.

Private Banking

To be a trusted advisor to our clients: professional, independent, committed and transparent.

We want to remain a leading private bank not only in terms of market share but mainly by setting a standard for the sector in our delivery to clients. Our ambition is to be valued by our clients as their trusted advisor. Faithful to our centuries-old heritage, generation after generation.

Business scope

ABN AMRO is a market leader in private banking in the Netherlands with a strong local presence in a select number of countries in Europe and Asia. Private banking activities are organised into two business lines: Private Banking Netherlands, operating under the brand name ABN AMRO MeesPierson, and Private Banking International, operating under the brands ABN AMRO Private Banking and local brands such as Banque Neuflyze OBC in France and Delbrück Bethmann Maffei AG in Germany. All enjoy a tradition spanning centuries and generations and boast outstanding brand recognition and a strong local reputation.

Additional Private Banking presence: Curaçao, U.A.E.



Service principles

With access to a wealth of information 24 hours a day, clients today are more enterprising and demanding than ever and increasingly expect their bank to have an international service model. The bank has therefore defined the following three leading principles for advising clients:

- ▶ We take a holistic approach to our clients rather than focusing solely on their investments.
- ▶ We always provide our clients with multiple solutions, offering choices in the decision-making process.
- ▶ We have the capabilities to deliver our service to clients through an international network, professional staff and a strong set of products.

Clients

ABN AMRO offers private banking services targeted at clients with freely investable assets exceeding EUR 1 million (or USD 1 million in Asia). Service teams manage client relationships and provide independent advice supported by specialists. When desired, clients have direct access to these specialists.

ABN AMRO offers different service models according to client wealth bands:

- ▶ **High Net Worth Individuals (HNW)** with Assets under Management (AuM) in excess of EUR 1 million (Private Banking);
- ▶ **Ultra High Net Worth Individuals (UHNW)** with AuM in excess of EUR 25 million (Private Wealth Management).

Within these two main client groups, ABN AMRO offers a comprehensive set of tailored services to suit the particular needs of its clients:

- ▶ **Family money** provides specific services tailored to the needs of families, including wealth transfer to the next generation;
- ▶ **Entrepreneurs and their enterprises** advises entrepreneurs and family businesses, where business and personal needs are often interlinked;
- ▶ **Charities and Institutions** offers dedicated expertise to foundations and charitable organisations.

Additional special client services are offered by the following teams:

- ▶ **Professionals and Executives team (primarily in the Netherlands)** serves executives in various fields including lawyers, accountants and consultants. Executive services target current and former board members of listed companies. These clients are presented with complexities in their personal finance because of the nature of their functions;
- ▶ **World Citizen Services team** provides tailor-made advice to Private Banking clients with international lifestyles, including structuring international assets, financing a home abroad and providing contacts for clients in the local market.

A total solutions approach

Private Banking aims to provide a total solution for its clients’ global wealth management needs. The bank offers a rich array of services and products, including independent and transparent advice on wealth planning, structuring, discretionary portfolio management and insurance solutions. An open architecture with access to a broad range of investment products and opportunities ensures that clients are offered the best selection of products available, irrespective of the provider.

Our core capabilities: the nine key areas

Research & Strategy	Discretionary Portfolio Management (DPM)	Investment Advisory
Investments Funds	Structured Products	Treasury & Special Products
Insurance	Lending	Wealth Structuring

The ABN AMRO Global Research & Strategy team (R&S) is the cornerstone of the bank’s investment advice service. R&S monitors worldwide market developments and generates regular macroeconomic views, market forecasts and research on all asset classes and instruments (except investment funds). These are all used for strategic and tactical asset allocation.

The bank offers investment funds, the majority of which are provided by third parties screened by AA Advisors, the bank's fund-selection centre of expertise.

One of the challenges of financial institutions today is to incorporate sustainability principles into investment processes. This is an area in which the industry can create impact, both by embedding sustainability criteria in investment practices and by offering sustainable investment products. Banque Neuflyze OBC (see Main subsidiaries) and the 50/50 joint venture of Triodos and ABN AMRO MeesPierson Sustainable Investment Management (Triodos MeesPierson) offer investors sustainable investment opportunities. Triodos MeesPierson ensures that investments are executed based on sound financial and sustainable criteria and on Sustainalytics ratings.¹⁾

Private Banking offers not only a wide range of sustainable products (e.g. third-party sustainability funds) but also makes sustainability part of its services (sustainable asset management) and its business operations.

Main subsidiaries

The following subsidiaries²⁾ of ABN AMRO Bank are related to Private Banking:

Banque Neuflyze OBC

Banque Neuflyze OBC S.A. (Banque Neuflyze OBC) is 99.9%-owned by ABN AMRO Bank N.V. It operates 11 branches in main French cities. Banque Neuflyze OBC has developed a unique private banking model in France based on an integrated approach to private and commercial wealth while also offering specialist services such as art advisory. Banque Neuflyze OBC and its subsidiaries cover a range of other activities:

- ▶ **Neuflyze OBC Investissements** is a wholly-owned subsidiary of Banque Neuflyze OBC. It delivers local discretionary portfolio management as well as a range of open-ended funds covering various asset classes. Through its AA Advisors, it offers multi-management solutions as well as fund selection.

- ▶ **Neuflyze Private Assets** is a leading asset manager specialising in US and European equities with a flexible and opportunistic approach.
- ▶ **Neuflyze Vie** is a life insurance company owned by Banque Neuflyze OBC (60%) and by AXA (40%). Neuflyze Vie was created to offer life insurance products for (U)HNW Individuals and has developed customised solutions with a focus on unit-linked contracts.

Delbrück Bethmann Maffei

Delbrück Bethmann Maffei AG (Delbrück Bethmann Maffei), a wholly-owned subsidiary of ABN AMRO Bank, enjoys a strong local heritage and brand recognition in the German market. With nine branches covering all major regions of Germany, Delbrück Bethmann Maffei offers all Private Banking and Private Wealth Management related services.

International Diamond & Jewelry Group (ID&JG)

ID&JG is the global market leader in offering financial services to the diamond and jewellery industry.

The bank's clients in this area are commercial entities, often family-owned and active across multiple geographies. The diamond and jewellery industry requires global reach and innovative global trade services and financing solutions. ID&JG's core offering consists of lending and trade-finance based products.

ABN AMRO's client acceptance requirements adhere to the highest regulatory standards and clients are re-assessed yearly. Furthermore, ABN AMRO adheres to and applies the Kimberly Process Certification Scheme that was launched in 2002 by a unique coalition of governments, civil society and the diamond industry as an international initiative to eliminate the trade in conflict diamonds. ABN AMRO is also a founding member of the Responsible Jewellery Council, an international not-for-profit organisation established to reinforce consumer confidence in the jewellery industry by advancing responsible business practices throughout the diamond and gold jewellery supply chain.

¹⁾ Sustainalytics is a specialised agency that rates over 2,000 companies based on their ecological, social and governance efforts by making use of a wide range of criteria that are weighted according to the sector in which a company operates.

²⁾ Unless explicitly indicated otherwise, all subsidiaries are 100% wholly-owned by ABN AMRO.

Commercial & Merchant Banking

Key achievements in 2010

- ▶ Re-established physical presence in certain regions in the Netherlands
- ▶ Re-opened the ABN AMRO dealing room in Amsterdam
- ▶ Further strengthened position in the Energy, Commodities & Transportation markets
- ▶ Integration of FBN and ABN AMRO units on schedule
- ▶ Re-established selective international presence to better serve Dutch clients with activities outside the Netherlands
- ▶ Re-launched structured product range, e.g. ABN AMRO Turbos, and distributed own issued debt
- ▶ Established Debt Capital Markets and Capital Structuring Advisory services
- ▶ Strengthened the service model, e.g. with the creation of five Client Support Units at Business Banking

Key facts and figures 2010

Key indicators	Full Year
▶ Underlying operating income (in EUR million)	2,675
▶ Underlying net profit (in EUR million)	172
▶ Total loans (in EUR billion)	84.7
▶ Total deposits (in EUR billion)	76.7
▶ RWA (in EUR billion)	61.4
▶ FTEs	5,849
▶ Market position	<ul style="list-style-type: none"> ▶ ABN AMRO Clearing no. 3 global position ▶ Top 3 global position in a number of commodity markets

To be the best commercial and merchant bank in the Netherlands with the most satisfied clients and the best professionals.

Business scope

ABN AMRO is a leading commercial and merchant bank in the Netherlands, offering customised financial advice and products to companies based in the Netherlands and their operations abroad. Commercial & Merchant Banking's (C&MB) client base encompasses start-ups and the self-employed, small and medium-sized enterprises, and large corporates and financial institutions. In addition to its strong position in the Netherlands, ABN AMRO leads a number of global specialist markets with its Energy, Commodities & Transportation, ABN AMRO Clearing and collateralised finance businesses (factoring and lease in Western Europe).

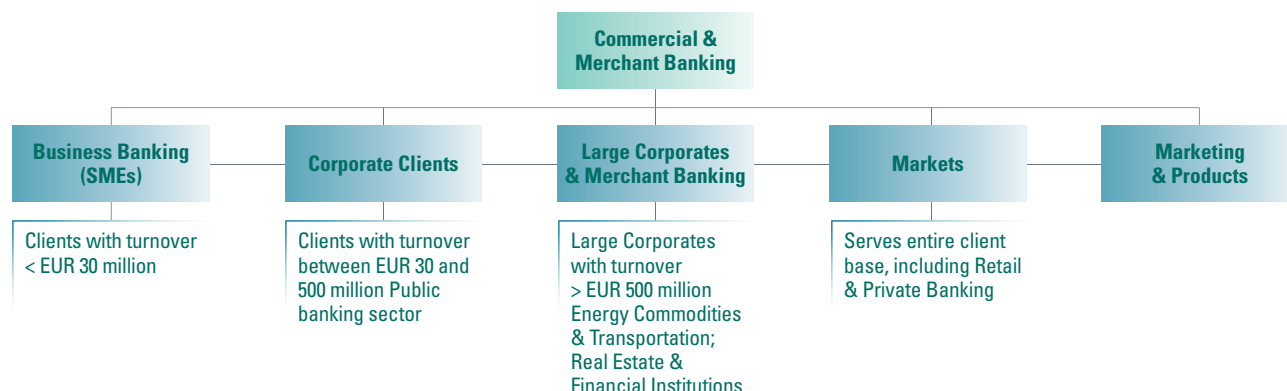
ABN AMRO aspires to be the best commercial and merchant bank in the Netherlands. C&MB fosters long-term relationships with clients and strives to maximise client satisfaction by offering excellent sector knowledge, a comprehensive and innovative range of products, and first-rate service.

ABN AMRO clients have access to a nationwide network in the Netherlands and a network of offices in Western Europe and in the main financial and logistics centres worldwide. C&MB has a presence in three time zones across the main financial centres.

C&MB is organised into four business lines:

- ▶ Business Banking (SMEs)
- ▶ Corporate Clients
- ▶ Large Corporates & Merchant Banking
- ▶ Markets.

The business lines are supported by Marketing & Products in activities such as marketing, strategy, communications, product management and sector advisory.



2010 activities

C&MB in 2010

C&MB's focus on improving client satisfaction led to a rise in client satisfaction in 2010. Other key activities in 2010 were:

- ▶ A rebranding exercise following the Legal Merger. Small and medium-sized clients transferred from the FBN retail platform to the ABN AMRO Business Banking platform at the end of 2010. The remaining integration activities are on track.
- ▶ Selectively rebuilding its presence in the Netherlands and abroad in 2010. Corporate Clients set up client teams in the Northwest and South regions of the Netherlands, largely restoring the presence lost due to the EC Remedy transaction, and opened International Commercial Banking units in the United Kingdom, Germany, France and Belgium. The Markets division opened offices in the United Kingdom, Hong Kong and the United States, giving clients round-the-clock service in three time zones.
- ▶ Further strengthening of the international position in ECT, in part by opening offices in Greece, Brazil, the United States and Hong Kong as well as commencing offering of ECT services through existing offices in Singapore and the United Arab Emirates.
- ▶ Expanding the product offering. ABN AMRO Turbos were re-launched, as were other structured products. Debt Capital Markets successfully distributed several (own issued) debt transactions. ABN AMRO was among the first to introduce SEPA (Single Euro

Payments Area¹⁾) solutions for its clients. Working capital advisory services were extended to small and medium-sized companies. The savings product offering was adapted to the corporate markets to enhance transparency. Through a partnership agreement with the European Investment Bank (EIB) ABN AMRO can offer Business Banking clients loans with a specific interest rebate.

ABN AMRO continued to work with its clients on sustainability issues. The bank became a partner in the Sustainable Shipping Initiative. The Commodities business hosted a conference together with the European Cocoa Association on the theme "Drivers for Cocoa Sustainability: Voluntary vs. Regulatory Measures."

Going forward, C&MB aims to intensify and foster lasting relationships with existing and new clients. In addition, it intends to selectively expand the bank's national and international market position by further expanding its position in ECT. It aims to become the leading multi-asset clearer and financing bank at all relevant security exchanges around the world, and it intends to open Commercial Banking International units in the United States, Singapore and Hong Kong. C&MB also wants to expand the number of primary dealerships to key countries in Europe. Lastly, C&MB strives to complete the transfer of FBN clients of C&MB to the ABN AMRO systems in 2011 and to enhance C&MB's sector expertise with the environmental impact and social aspects inherent in each sector.

¹⁾ Under SEPA, all electronic payments are considered domestic and there is no difference between national and intra-European cross-border payments.

Business Banking

Business Banking offers small and medium-sized businesses with turnover up to EUR 30 million a comprehensive range of standard and customised products. Financial advice is based on in-depth knowledge of the sectors in which clients operate and a solid understanding of the clients' business.

The service model is tailored to the company's size and needs:

- ▶ ABN AMRO offers small companies **YourBusiness Banking**, allowing clients to conduct their banking activities through multiple channels: online via Internet Banking, by telephone with an advisor, or in person at a branch counter or with a local specialist.
- ▶ ABN AMRO assigns medium-sized businesses a **dedicated relationship manager** who advises on financial matters based on in-depth knowledge of the client's business and market and is supported by specialists who, for example, offer advice on insurance, payments, finance and treasury.

Business Banking has a nationwide network of 78 business offices, though clients may also use any of the 508 retail branches in the Netherlands for their day-to-day banking needs. Additional services are provided by dedicated Client Support Units. ABN AMRO's growing international network supports clients in their cross-border operations.

Corporate Clients

Corporate Clients serves companies with turnover between EUR 30 and 500 million as well as clients in the public sector.

Corporate Clients are served from five dedicated units, each providing a full range of services as well as offering in-depth sector expertise and knowledge of market developments. Each corporate client is assigned a dedicated Client Team, consisting of a relationship manager and a (shared) team of specialists in various product areas. Clients also have access to a Client Support Unit for their day-to-day banking matters.

Corporate Clients focuses its growth on the following sectors: Agrifood, Retail, Building & Construction,

Manufacturing & Capital Goods, Transport & Logistics, Business Services, Trade & Commodity Finance and Public Banking (i.e. government bodies, health care organisations and housing corporations).

Corporate Clients is selectively expanding its network abroad to meet the needs of its Dutch clients who have international activities. For some countries, agreements with partner banks have been concluded to provide clients with local service. In addition, ABN AMRO is a strong Western European player in collateralised finance (factoring and lease).

As part of its commitment to sustainability, ABN AMRO has partnered with Royal BAM Group, a European construction company, to offer schools an integrated and budget-neutral solution to becoming energy-efficient.

Large Corporates & Merchant Banking Clients

Large Corporates & Merchant Banking (LC&MB) provides financial services to Netherlands-based corporates, financial institutions and investors in the real estate sector as well as international companies active in energy, commodities and transportation.

Large Corporates

Large Corporates has offices in Amsterdam and Rotterdam and provides strategic relationship management to clients based in the Netherlands with turnover exceeding EUR 500 million. Large Corporate clients are served by sector coverage teams, which are supported by product teams and credit specialists.

Energy, Commodities & Transportation (ECT)

ECT clients are internationally active mid-sized to large corporate clients active in Energy (oil and gas industry and offshore services), Commodities (commodity trading companies active in energy, agricultural and metals commodities), and Transportation (shipping industry and intermodal transportation). ECT has a strong global position and track record and is recognised by the market as one of the leading banks in this sector. The portfolio is spread across sectors, rating categories and geographies, enabling ECT to avoid credit concentrations and create portfolio resilience through the cycle.

Financial Institutions

LC&MB has a dedicated financial institutions team serving domestic and international banks, pension funds, asset managers and insurance companies. Financial Institutions Group advises clients on regulatory developments, Mergers & Acquisitions (M&A), equity capital market and debt capital markets activities.

Real Estate Finance

The Real Estate Finance team serves professional real estate clients based in the Netherlands, both investors and developers, providing a full range of financial solutions including corporate lending, asset-backed investment and development finance, as well as several advisory services.

Products

LC&MB offers a full array of banking services and products. **Cash & Liquidity Management** includes a range of cash management products and services to businesses seeking to optimise working capital and the financial supply chain. **Debt Solutions** offers products such as Acquisition & Leveraged Finance, Loan Syndications, Global Export & Project Finance, Debt Capital Markets, Structured Finance and Capital Structuring & Advisory. **Corporate Finance & Capital Markets** advises targets, bidders and (selling) shareholders on the M&A side and, on the capital markets side, helps clients to raise equity either through private placement, initial public offering or primary or secondary offering. **Private Equity** invests in companies active in the food, retail, media, industrial goods and services, automotive, technical wholesale, medical equipment and transport sectors. The focus is on mid-market management buyouts, expansion capital and restructurings for companies based in the Netherlands.

As one of its co-founders, ABN AMRO has adopted the Equator Principles. Each project financed by the bank is categorised according to its environmental and social risks.

Markets

Markets serves a broad client base, ranging from corporates and financial institutions to retail and private banking clients. Its product portfolio includes foreign exchange, rates, bonds, equities, derivatives and structured products.

Markets offers its clients online services such as ABN AMRO DealStation, allowing execution of foreign exchange and money-markets transactions. In the Netherlands, Markets has sales and trading activities in Amsterdam and Treasury Desks in five locations. Outside the Netherlands, Markets has sales and trading activities in Singapore, Hong Kong, London and New York.

In addition, Markets has two global business lines;

Securities Borrowing and Lending

ABN AMRO is a large global player in the securities borrowing and lending market.

ABN AMRO Clearing

ABN AMRO Clearing, a subsidiary of ABN AMRO, is recognised as a global leader in derivatives and equity clearing and one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges. ABN AMRO Clearing operates from 12 locations across the globe and offers an integrated package of direct market access, clearing and custody services covering futures, options, equity, commodities, energy and fixed income.

The ABN AMRO Clearing operating model is, where possible, completely self-supporting due to the nature of business, where speed and responsiveness are critical and regulators and clients expect separation of clearing activities from the general banking activities. ABN AMRO clearing operations are undertaken out of ABN AMRO Clearing Bank N.V., which has a banking licence and is regulated and supervised by DNB.

Other subsidiaries

The following subsidiaries¹⁾ of ABN AMRO Bank are related to C&MB are:

ABN AMRO Lease

ABN AMRO Lease N.V. (ABN AMRO Lease) – formerly Amstel Lease – delivers lease contracts worldwide to C&MB clients. Contracts are offered through the ABN AMRO Lease network – with offices in the Netherlands, Belgium, Germany and the United Kingdom – and through the bank’s branch network.

ABN AMRO Commercial Finance activities

ABN AMRO provides factoring services to its clients as well as to clients from other distribution channels through ABN AMRO Commercial Finance B.V. (ACF), Fortis Commercial Finance Holding N.V. (FCF) and under the Venture Finance label in the United Kingdom. ABN AMRO is active in several countries in Europe and in Hong Kong.

ABN AMRO Groenbank

ABN AMRO Groenbank B.V. (ABN AMRO Groenbank) finances sustainable projects based on the fiscal green scheme provided for in the Dutch tax system. ABN AMRO Groenbank takes savings deposits and investment cash from Retail & Private Banking and makes this capital available to businesses that invest in sustainable projects in the Netherlands. Financing of sustainable projects has been put on hold following recent changes to the Dutch fiscal green scheme; however, ABN AMRO Groenbank N.V. continues to exist and to attract funds.

¹⁾ Unless explicitly indicated otherwise, all subsidiaries are 100% wholly-owned by ABN AMRO.

Group Functions

Key achievements in 2010

- ▶ Successfully managed separation and integration activities while ensuring no disruption of business as usual
- ▶ Accomplished the technical migration of 1.6 million retail clients to ABN AMRO systems
- ▶ Fully integrated accounting closing process as of Legal Merger on 1 July 2010
- ▶ EUR 26.3 billion of funding was raised resulting in a further improvement of the funding profile and a lengthening of maturities of whole sale funding
- ▶ Implementation of three lines of defence risk model
- ▶ Implementation of Group risk appetite and enterprise-wide risk profile
- ▶ Major rebranding to ABN AMRO
- ▶ New collective labour agreement (CAO) signed and Integrated Social Plan (ISP) implemented
- ▶ Renewed sustainability strategy launched
- ▶ Risk Management, Strategy and Asset & Liability Management/Treasury (ALM/T) integrated.

Group Functions supports the bank's businesses by delivering services in the areas of Finance, Risk Management & Strategy (RM&S), Integration, Communication & Compliance (ICC) and Technology, Operations & Property Services (TOPS) through a global shared services organisation.

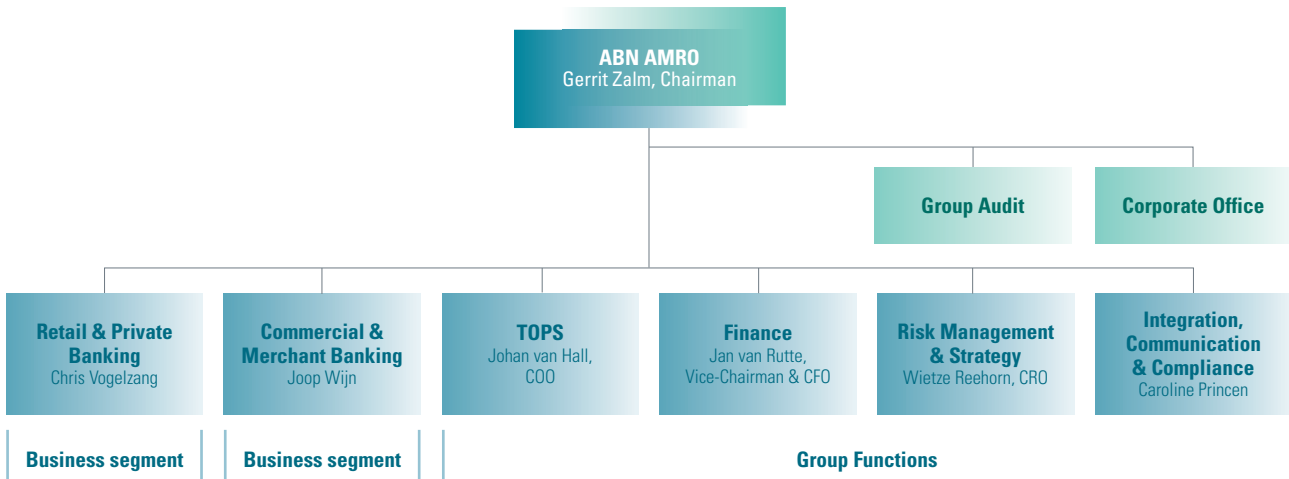
Activities related to TOPS, Finance, R&MS and ICC are described further on.

Group Audit reports to the Chairman of the Managing Board, and the head of Group Audit has a direct information line to the Chairman of the Audit Committee. Group Audit also acts as the third line of defence (see the Risk management section).

The Company Secretary, appointed by the Managing and Supervisory Boards, holds an independent position under the direct supervision of the Chairman of both the Managing and Supervisory Boards. The Company Secretary also acts as Chief Corporate Governance Officer.

2010 activities

Group Functions led the technical and legal preparations for the Legal Merger and integration, providing full operational, legal and finance support to the various separation projects carried out in 2010. One of the first visible milestones for clients was the temporary availability of two-in-one bank branches. Section 10, Separation & Integration, provides further information.



TOPS played a pivotal role in the various client and system separation and integration activities in 2010. Sourcing contracts with a number of key suppliers were renegotiated in 2010, resulting in structural cost reduction.

Group Functions was also responsible for rebranding FBN into ABN AMRO and introducing the new bank to the public. In September 2010, ABN AMRO launched a campaign with the tagline *De Bank Anno Nu* (translated loosely as "Today's bank"), positioning itself as a modern bank with a long history.

One of the main challenges for Group Functions in 2010 was to safeguard the bank's high standards of service while managing the reorganisation and implementing a new operating model. Key activities included:

- ▶ the introduction of new policies and a new organisational structure;
- ▶ harmonisation of accounting policies, alignment of finance processes ahead of the first consolidated interim figures (Interim Financial Statements) as of the end of June 2010;
- ▶ definition of a new risk management framework for incorporating the experience gained from the latest financial crisis. Section 7, Risk management provides further information.

Several funding transactions were executed in order to improve the bank's funding profile. More information on liquidity, capital and funding is available in sections 7 to 9.

ABN AMRO is embedding sustainability in its strategy and key processes, as described in section 12, Sustainability.

Human Resources (HR) faced a number of impressive challenges in 2010. Further information is provided in section 11, Human resources.

Going forward, Group Functions aims to further diversify the funding profile in line with the bank's funding strategy. TOPS intends to carry out the technical migration of FBN C&MB and Private Banking Netherlands clients to ABN AMRO systems. The people strategy will be further implemented, and the new ABN AMRO culture will be strengthened by reinforcing the corporate values. In addition, a culture of compliance and risk consciousness, fortifying the three lines of defence risk model, will

continue to be promoted and sustainability will be further embedded in the bank's core processes. ABN AMRO Foundation will coordinate integration activities in a wider social context. Lastly, ABN AMRO intends to further execute Basel II integration activities and to facilitate compliance with Basel III capital and liquidity requirements and the Capital Requirements Directive III.

Technology, Operations & Property Services (TOPS)

TOPS is coordinating the integration of the entire bank and is responsible for all relocations of businesses, subsequent re-use of rental buildings and future business development.

ABN AMRO's IT department utilises outsourcing and offshoring of IT development, maintenance and infrastructure services as a key element of its operating model.

TOPS manages the supplier selection process and the related negotiations and contracting procedure, ensuring competitive market rates and helping the businesses to devise their own procurement strategies.

To make an ongoing contribution to the bank's customer focus and cost efficiency.

TOPS protects ABN AMRO against financial losses caused by internal and external criminal activities and abuse of the financial system. This includes providing and validating information with regard to client acceptance, client due diligence and money laundering.

In keeping with ABN AMRO's sustainability strategy, TOPS invests in lower energy consumption at the data centres, which are responsible for a large portion of the bank's energy use. The bank is involved with FIRA, a new sustainability knowledge broker in the Netherlands, co-founded by ABN AMRO, which validates corporate sustainability claims and reviews their internal processes. This information is used in selecting suppliers and developing joint plans to improve sustainability performance.

Finance

Finance is the primary supplier of management and reporting information to ABN AMRO's businesses and to external stakeholders. Finance plays an independent role in delivering management information and challenging business decisions. It provides a strong financial control environment and ensures compliance with accounting standards and requirements set by the regulatory authorities.

Finance includes ALM/T, which also has a reporting line to RM&S. ALM/T is responsible for managing the level of capital, interest rate risk (banking book) and liquidity available to the bank and runs the Treasury function. More information on liquidity, capital and funding is provided in sections 7, 8 and 9.

Finance is the primary supplier of management and reporting information and is an independent and committed business partner.

Risk Management & Strategy

A healthy bank relies on sound risk management and a risk culture in which every member of staff takes accountability for their actions. ABN AMRO therefore operates under the three lines of defence risk management model. This model is generally accepted as the best practice standard for risk management in the financial industry and makes risk management the responsibility of every employee of the bank. It enhances risk awareness and promotes the bank's risk culture.

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 remain a healthy, stable bank.

Risk Management, the Economics Department and Strategy (including Corporate Development and Investor Relations) have been combined into one organisation, Risk Management & Strategy (RM&S). RM&S is closely aligned with ALM/T to ensure that ABN AMRO's risk

appetite is in line with the bank's corporate strategy and capital position, taking into consideration the economic outlook. More information on the risk management process is provided in section 7, Risk management.

Integration, Communication & Compliance

The primary responsibility of Integration, Communication & Compliance (ICC) is to help ABN AMRO's businesses put their clients centre stage. ICC consists of Change & Integration, Communications & Branding, Compliance, Human Resources, Legal and Sustainability.

ABN AMRO faces the challenge of transforming the bank in line with the new business strategy, company values and people strategy. The focus for the coming years will be on creating a new corporate culture (promotion of the new company values: Trusted, Professional and Ambitious) and on promoting client-oriented behaviour.

To enable our bank to be successful. Our responsibility is to collectively ensure that ABN AMRO businesses are able to successfully serve clients.

ABN AMRO's Compliance function provides independent oversight on behalf of the Managing Board with respect to policies, procedures and core processes to ensure ABN AMRO conforms with (industry-specific) laws and regulations both in letter and in spirit. The Risk management section of this report provides further details. The Legal department provides legal support to the organisation while maintaining oversight of the Group's legal risks and preserving ABN AMRO's reputation.

The Sustainability department formulates the bank's sustainability strategy and ensures that sustainability is embedded in the bank's business practices. ABN AMRO Foundation runs social projects and coordinates integration activities in a wider social context, primarily by organising volunteer work for staff.

operating and financial review 6

This Operating and Financial Review includes a discussion and analysis of ABN AMRO's results of operations and financial condition for the years ended 2010 and 2009. This Review should be read in conjunction with the Annual Financial Statements 2010 (including summary of significant accounting policies). The section Important notes to the reader provides more information on the scope applied in the financial information.

The reported figures have been impacted by several items which are related to the demerger of ABN AMRO Bank from RBS N.V. and the separation of Fortis Bank Nederland (FBN) from BNP Paribas Fortis and the integration of ABN AMRO Bank and FBN. For a better understanding of underlying trends, the 2009 and 2010 figures have been adjusted for these items. The following analysis is based on the underlying results. Reconciliation of the reported and underlying results is shown on page 58 of this section.

ABN AMRO is organised into two business segments, Retail & Private Banking (R&PB) and Commercial & Merchant Banking (C&MB), and a support segment, Group Functions.

This section only provides a financial review of the Group and its respective segments. A more detailed overview of the business activities is presented in section 5.

The operating results of NEW HBU II N.V. and IFN Finance B.V. (sold together under the EC Remedy on 1 April 2010) and the operating results and transaction result upon the sale of Intertrust (sale completed on 29 December 2009), together the "divested activities", have been included in the segment Group Functions until the date of completion

of the divestment. The operating results of Prime Fund Solutions are also included in Group Functions. The sale of Prime Fund Solutions is expected to be closed in the first half of 2011.

Certain figures in this document may not add up exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures. As a result of the integration, the current segmentation of reporting is still subject to minor changes.

Key developments in 2010

- ▶ reported net loss for the period 2010 was EUR 414 million, due to the forced sale under the EC Remedy (EUR 812 million negative net-of-tax) and separation and integration costs (EUR 679 million net-of-tax in total). Reported net profit for the period 2009 was EUR 274 million
- ▶ underlying net profit, which excludes the sale of the EC Remedy and separation and integration costs, amounted to EUR 1,077 million, compared with an underlying net profit of EUR 142 million in 2009. Underlying net profit in 2010 also included a gain on the buyback of own debt (EUR 130 million net-of-tax)
- ▶ this increase was driven by higher operating income (+10%) and lower loan impairments (-47%) despite higher costs as a result of legal provisions and expenses (EUR 264 million net-of-tax)
- ▶ the underlying cost/income ratio improved to 70% from 75% in 2009
- ▶ at 31 December 2010, pro forma combined core Tier 1, Tier 1 and total capital ratio under Basel II were 10.4%, 12.8% and 16.6% respectively.

6.1 Underlying income statement ABN AMRO Group

(in millions of euros)	Full year 2010	Full year 2009	% change
<i>Underlying results</i>			
Net interest income	4,905	4,268	15%
<i>Non-interest income of which:</i>			
Net fee and commission income	1,766	1,933	-9%
Net trading income	304	139	119%
Results from financial transactions	330	203	63%
Share of result in equity accounted investments	91	94	-3%
Other income	263	349	-25%
Non-interest income	2,754	2,718	1%
Operating income	7,659	6,986	10%
<i>Operating expenses of which:</i>			
Personnel expenses	2,533	2,648	-4%
Other operating expenses	2,802	2,591	8%
Operating expenses	5,335	5,239	2%
Loan impairments	837	1,585	-47%
Profit/(loss) before taxation	1,487	162	
Income tax expense	410	20	
Profit/(loss) for the period	1,077	142	
Assets under Management (in EUR billion)	164.2	149.7	10%
Underlying cost/income ratio	70%	75%	
Risk-Weighted Assets	116,328		
FTEs (at year-end)	26,161	29,551	-11%

Underlying result of operations for the years ended 31 December 2010 and 2009

Profit for the period for 2010 increased to EUR 1,077 million (2009: EUR 142 million). The profit for the period rose due to a significant increase in the profitability of R&PB, a higher profit at C&MB and an improved, though still negative, result from Group Functions.

Operating income

Operating income was 10% higher year-on-year, due to a 15% increase in net interest income and almost stable non-interest income.

Net interest income

Net interest income increased primarily due to higher revenues of the loan portfolio and client deposits in R&PB and C&MB. Margins on savings deposits recovered as fixed-rate deposits with a high interest rate (as a result of tight market circumstances) matured in 2009 and were replaced by short-term variable-rate deposits. The volume of the mortgage portfolio remained fairly stable while margins improved. The loan portfolio of C&MB showed a clear increase.

Interest income breakdown

(in millions of euros)	2010	2009
<i>Interest income from:</i>		
Cash and balances at central banks	102	65
Financial investments available for sale	745	665
Loans and receivables - banks	338	1,076
Loans and receivables - customers	10,900	12,088
Other	867	1,141
Total interest income	12,952	15,035

Total interest income decreased by 14% (or EUR 2,083 million) to EUR 12,952 million year-on-year. This decrease was mainly driven by the sale under the EC Remedy

(Loans and receivables - customers). This is partly compensated by higher interest income on the liquidity buffer.

Interest expense breakdown

(in millions of euros)	2010	2009
<i>Interest expenses from:</i>		
Due to banks	592	1,370
Due to customers	3,041	4,422
Issued debt	2,088	2,184
Subordinated liabilities	343	450
Other	1,983	2,341
Total interest expense	8,047	10,767

Total interest expense decreased by 25% (or EUR 2,720 million) to EUR 8,047 million year-on-year. This decrease was mainly driven by the sale under the EC Remedy,

(due to customers), and the shift from fixed-rate deposits with a high interest rate as a result of tight market circumstances to short-term variable-rate deposits.

Net fee and commission income

(in millions of euros)	2010	2009
<i>Net fee and commission income from:</i>		
Securities and custodian services	585	577
Reinsurance commissions and insurance and investment fees	94	93
Portfolio management and trust fees	432	490
Payment services	507	509
Guarantees and commitment fees	-74	13
Other service fees	222	251
Total net fee and commission income	1,766	1,933

Net fee and commission income decreased by 9% (or EUR 167 million) to EUR 1,766 million year-on-year mainly driven by an increase in fee and commission expenses in guarantees and commitments as a result of higher fees paid in 2010 to the Dutch State for credit protection (difference year-on-year of EUR 82 million) and the sale of Intertrust in December 2009 resulting in a decrease of EUR 129 million in trust fees. The decrease was partially offset by increased net income from securities and custodian services from ABN AMRO Clearing, which benefited from the acquisition of the US activities and growth in Asia and higher net fees and commissions in Private Banking as a result of the recovery of stock markets, resulting in increased Assets under Management ¹⁾.

Net trading income

Net trading income increased by EUR 165 million year-on-year mainly due to higher income from interest instruments trading and lower credit value adjustments losses (counterparty risk related to interest rate derivatives) in C&MB.

Results from financial transactions

Results from financial transactions increased by EUR 127 million year-on-year mainly driven by the gain on the buyback of subordinated debt (EUR 175 million pre-tax) and dividends, favourable revaluations and exits within the private equity portfolio compared to 2009. In 2009, results from financial transactions included a EUR 59 million gain on the buyback of covered bonds.

Operating expenses

Operating expenses increased by 2% year-on-year due to several large legal provisions and expenses (total EUR 305 million pre-tax) relating to international activities conducted in the past by C&MB and R&PB.

Personnel expenses

Personnel expenses declined by 4% year-on-year reflecting the divestment of the EC Remedy and Intertrust activities.

The total number of full-time equivalents (FTEs) decreased by 11%, or 3,390, to 26,161 as per year-end 2010.

This decline was due to outflow of staff ahead of and as a

result of the integration (2,259) and the divested activities (1,131). The majority of the decline in FTEs was recorded in the fourth quarter of 2010 following the integration of 146 branches in the Netherlands.

Other operating expenses

Other operating expenses increased by 8% year-on-year due to legal provisions and expenses (total EUR 305 million) relating to international activities conducted in the past as outlined above. Operating expenses in 2009 included EUR 95 million costs incurred for the Dutch Deposit Guarantee Scheme and EUR 50 million of legal provisions and expenses.

R&PB benefited from the first synergies following the integration of 146 branches in the Netherlands. C&MB incurred an increase in operating expenses mainly due the start-up of several activities designed to rebuild both the product offering and the international network for servicing Dutch clients, Energy Commodities & Transportation and ABN AMRO Clearing, as well as a higher allocation of Group Functions costs. Group Functions recorded lower expenses as a result of the divested activities.

The cost/income ratio improved to 70% (2009: 75%). Excluding the legal provisions and expenses and the gain on the buyback of own debt (both recorded in 2010), the cost/income ratio would have been 67% in 2010 compared with 73% in 2009.

Loan impairments and other credit risk provisions

Loan impairments decreased by 47% year-on-year. Loan impairments in R&PB decreased sharply, mainly in Private Banking International (including the International Diamond & Jewelry Group). Loan impairments on the mortgage portfolio, which is 58% of the total client loan portfolio, decreased year-on-year. C&MB recorded significantly lower loan impairments in Large Corporates & Merchant Banking and Business Banking. Loan impairments in Group Functions were significantly lower due to the divested activities.

¹⁾ As of Q3 2010 AuM include assets of French activities (EUR 5.2 billion) previously not included.

6.2 Balance Sheet Group

(in millions of euros)	31 December 2010	31 December 2009
Cash and balances at central banks	906	4,368
Financial assets held for trading	24,300	20,342
Financial investments	20,197	20,763
Loans and receivables - banks	41,117	45,062
Loans and receivables - customers	275,755	280,729
Other	17,324	15,260
Total assets	379,599	386,524
Financial liabilities held for trading	19,982	26,951
Due to banks	21,536	37,387
Due to customers	211,277	210,748
Issued debt	86,591	70,837
Subordinated liabilities	8,085	11,747
Other	20,016	19,899
Total liabilities	367,487	377,569
Equity attributable to the owners of the parent company	12,099	8,733
Equity attributable to non-controlling interests	13	222
Total equity	12,112	8,955
Total liabilities and equity	379,599	386,524

Total assets

Total assets decreased by EUR 6.9 billion, from EUR 386.5 billion at 31 December 2009 to EUR 379.6 billion at 31 December 2010. Adjusted for the EC Remedy divestment, total assets increased from EUR 375.1 billion to EUR 379.6 billion (increase of EUR 4.5 billion).

Cash and balances at central banks

Cash and balances at central banks decreased by EUR 3.5 billion.

Financial assets held for trading

Financial assets held for trading increased by EUR 4.0 billion as a result of an increase in government bonds in the trading portfolio.

Financial investments

Financial investments decreased by EUR 566 million due to a reduction in the investment portfolio (mainly OECD government bonds) partly offset by increased volumes in our mortgage backed securities portfolio.

Loans and receivables - banks

Loans and receivables - banks decreased by EUR 3.9 billion due mainly to a settlement of EUR 16.4 billion with RBS N.V. following the Legal Separation in the first half of 2010. This decrease was partly offset by higher securities borrowing transactions and increased volumes in clearing activities.

Loans and receivables - customers

(in millions of euros)	31 December 2010	31 December 2009
Government and official institutions	3,259	4,036
Residential mortgage	161,305	161,205
Fair value adjustment from hedge accounting	2,880	2,411
Consumer loans	14,210	14,258
Commercial loans	82,346	86,405
Reverse repurchase agreements	12,096	4,197
Securities borrowing transactions	2,243	10,622
Financial lease receivables	162	204
Factoring	1,540	1,512
Total	280,041	284,850
Loan impairments	-4,286	-4,121
Loans and receivables - customers	275,755	280,729

Loans and receivables - customers decreased by EUR 5.0 billion. Adjusted for the EC Remedy divestment, Loans and receivables - customers grew from EUR 270.2 billion to EUR 275.8 billion (increase of EUR 5.6 billion), mainly as a result of growth in the commercial loan portfolio and repurchase agreements of C&MB. This increase was partly offset by reduced volumes in securities borrowing transactions compared with 2009. The majority of Loans and receivables - customers are prime residential mortgages, mainly Dutch, amounting to EUR 161.3 billion at the end of December 2010, almost unchanged compared with year-end 2009.

Total liabilities

Total liabilities decreased by EUR 10.1 billion. Adjusted for the EC Remedy divestment, total liabilities increased from EUR 366.1 to EUR 367.5 (increase of EUR 1.4 billion).

Financial liabilities held for trading

Financial liabilities held for trading decreased by EUR 7.0 billion, due chiefly to a decline in short security positions and partly offset by an increase in derivatives held for trading.

Due to banks

Due to banks decreased by EUR 15.9 billion as ECB funding was redeemed in full and securities lending transactions were significantly reduced.

Due to customers

(in millions of euros)	31 December 2010	31 December 2009
Demand deposits	82,480	85,913
Saving deposits	69,763	67,966
Time deposits	39,522	49,151
Other deposits	544	188
Total deposits	192,309	203,218
Repurchase agreements	16,471	6,621
Securities lending transactions	1,968	566
Other borrowings	529	343
Total due to customers	211,277	210,748

Due to customers rose by EUR 0.5 billion. Adjusted for the EC Remedy divestment, Due to customers went up from EUR 201.3 billion to EUR 211.3 billion (increase of EUR 10.0 billion) mainly due to an increase in repurchase agreements.

The decrease in demand deposits was mainly due to the sale of EC remedy. This impact was partially offset by a shift from Time deposits to Savings deposits year-on-year,

a general trend in the market. In addition, the Dutch State reduced its deposit with ABN AMRO with EUR 3 billion.

Issued debt securities

Issued debt showed an increase of EUR 15.8 billion, driven by continued financing initiatives undertaken to further lengthen maturities of wholesale funding and by prudent liquidity management.

Subordinated liabilities

(in millions of euros)	31 December 2010	31 December 2009
Liability component of subordinated convertible securities	2,000	2,034
Other hybrid and Tier 1 liabilities		2,600
Other subordinated liabilities	6,085	7,113
Total subordinated liabilities	8,085	11,747

Subordinated liabilities decreased by EUR 3.7 billion, mainly as a result of the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into Equity, the buyback of a perpetual subordinated loan (upper Tier 2) of GBP 600 million, and the redemption of the remainder of EUR 87.5 million in outstanding securities of ABN AMRO Capital Finance Limited (previously called Fortis Capital Company Limited or FCC), a subsidiary of ABN AMRO.

Equity

Shareholders' equity increased by EUR 3.4 billion to EUR 12.1 billion. This was primarily the result of the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into equity, the remaining capital injection by the Dutch State of EUR 490 million (part of the capital actions agreed with the Dutch State in 2009), the replacement of EUR 210 million of preference shares of FBN by ABN AMRO Group, an increase of the available for sale reserve of EUR 136 million and the result over 2010 of EUR 414 million negative.

6.3 Income statement Retail & Private Banking

(in millions of euros)	Full year 2010	Full year 2009	% change
<i>Underlying results</i>			
Net interest income	3,430	3,118	10%
Non-interest income	1,335	1,222	9%
Operating income	4,765	4,340	10%
Operating expenses	2,821	2,877	-2%
Loan impairments	342	540	-37%
Profit/(loss) before taxation	1,602	923	74%
Income tax expense	411	258	60%
Profit/(loss) for the period	1,191	665	79%
Loans and receivables - customers	185,782	187,738	-1%
Due to customers	125,011	126,126	-1%
Assets under Management (in EUR billion)	164.2	149.7	10%
Underlying cost/income ratio	59%	66%	
Risk-Weighted Assets	49,584		
FTEs (at year-end)	11,132	12,580	-12%

Small and medium-sized enterprise clients of FBN were included in the results of R&PB until November 2010. As from that date, these results are included in C&MB. The full income statement effect of this transfer will show in 2011.

A description of R&PB is provided in section 5, Business overview.

Underlying results of operations for the years ended at 31 December 2010 and 2009

Profit for the period increased by 79% to EUR 1,191 million in 2010 as a result of a sharp rise in revenues, a decrease in costs and lower impairments.

Operating income

Operating income advanced by 10% year-on-year to EUR 4,765 million as a result of an 10% increase in net interest income and a 9% rise in non-interest income. More than 70% of R&PB's operating income consists of net interest income.

Net interest income increased due to improved savings margins. Margins on saving deposits started to recover from the low levels in 2009 as low-margin fixed-rate deposits matured and were replaced by short-term variable-rate deposits with a higher margin. Margins on mortgages showed an increase in the first half of 2010.

The increase in non-interest income was due mainly to higher net fees and commissions, which accounts for more than 85% of non-interest income, as a result of a recovery of stock markets. This is reflected in higher AuM¹⁾ of Private Banking Netherlands and International, which increased by EUR 14.5 billion to EUR 164.2 billion. In addition, EUR 50 million non-interest income from the joint venture with Delta Lloyd, previously included in Group Functions, was included in R&PB in 2010.

¹⁾ As of Q3 2010 AuM include assets of French activities (EUR 5.2 billion) previously not included.

Operating expenses

Operating expenses decreased slightly despite legal provisions and expenses for the international Private Banking activities in 2010. This is the result of continued cost management combined with a reduction in the number of FTEs. The number FTEs declined by 1,448, or 12%, compared with 2009. The majority of the decline in FTEs was recorded in the fourth quarter of 2010 following the integration of 146 branches in the Netherlands.

The cost/income ratio improved to 59% from 66% as a result of a sharp rise in revenues and a decrease in costs.

Loan impairment and other credit provisions

Loan impairments decreased by 37%. Loan impairments in the Dutch mortgage portfolio, which represents 58% of the total loan book of ABN AMRO, declined modestly. A small increase in the consumer loan portfolio impairments was recorded in line with its volume growth. Loan impairments in 2009 included specific provisions for loan impairments in the Private Banking International portfolio.

Balance sheet

Loans and receivables and Due to Customers of R&PB decreased by EUR 2.0 billion and EUR 1.1 billion respectively, mainly as a result of the transfer of SME clients to C&MB in the last quarter of 2010 (impact EUR 1.5 billion on loans and EUR 2.8 billion on deposits).

Loans & receivables - customers

Excluding the above mentioned transfer, the loan portfolio of R&PB remained fairly stable in 2010. Both mortgage and consumer lending volumes increased marginally despite a more than 10% decline in volume of new Dutch mortgages in the past 12 months. The increase in consumer lending volumes occurred mainly in the second half of 2010 as a result of increased consumer spending.

Due to customers

Excluding the above mentioned transfer, R&PB deposits from clients increased by EUR 1.7 billion or 1%. After a steady increase in the first half of 2010 client deposits declined in the second half of the year. This is in line with the observed trend of reduced savings due to increased consumer spending in the second half of 2010 and Private Banking clients switching from deposits to investments. The overall market share in savings products remained stable.

6.4 Income statement Commercial & Merchant Banking

(in millions of euros)	Full year 2010	Full year 2009	% change
<i>Underlying results</i>			
Net interest income	1,589	1,513	5%
Non-interest income	1,086	919	18%
Operating income	2,675	2,432	10%
Operating expenses			
Loan impairments	518	872	-41%
Profit/(loss) before taxation	160	-32	
Income tax expense	-12	-75	-84%
Profit/(loss) for the period	172	43	303%
Loans and receivables - customers	84,745	77,749	9%
Due to customers	76,679	61,216	25%
Assets under Management (in EUR billion)			
Underlying cost/income ratio	75%	65%	
Risk-Weighted Assets	61,379		
FTEs (at year-end)	5,849	6,129	-5%

Small and medium-sized enterprise clients of FBN were included in the results of R&PB until November 2010. As from that date, these results are included in C&MB. The full income statement effect of this transfer will show in 2011.

A description of C&MB is provided in section 5, Business overview.

Underlying results of operations for the years ended at 31 December 2010 and 2009

Profit for the period of C&MB was EUR 172 million compared with EUR 43 million in 2009. This resulted from lower loan impairments and higher operating income, and was partly offset by higher operating expenses.

Operating income

In 2010, operating income increased 10% or EUR 243 million to EUR 2,675 million. Net interest income was 5% higher than the previous year and non-interest income improved by 18%.

The increase in net interest income was mainly due to higher interest revenues in Business Banking and ECT (part of LC&MB). Business Banking benefited from higher margins on its loan portfolio and client deposits, a trend similar to the development of R&PB, while ECT grew its

loan portfolio by 7%. This increase was partly offset by lower interest income in Markets as a result of volatile market conditions and a decrease in equity derivatives activities.

Non-interest income increased by 18% to EUR 1,086 million from EUR 919 million in 2009. This was mainly a result of overall higher trading income in Markets in 2010, partially resulting from lower credit value adjustments losses (counterparty risk related to interest rate derivatives) year-on-year. Higher revenues were also recognised at ABN AMRO Clearing mainly driven by the incorporation of the US activities and growth in Asia. Further improvements in non-interest income compared to 2009 were recorded as a consequence of dividends, favourable revaluations and exits within the private equity portfolio (LC&MB).

Operating expenses

Operating expenses rose by 25% to EUR 1,997 million mainly due to legal provisions and expenses and a

goodwill impairment of EUR 30 million. Excluding the legal provisions and expenses, operating expenses would still have shown a marked increase compared with the previous year. This is a result of higher staff costs at ABN AMRO Clearing (higher FTEs and incorporation of US activities), a higher allocation of Group Functions costs and costs related to the start-up of several activities designed to rebuild both the product offering and the international network for servicing Dutch clients.

The cost/income ratio increased from 65% to 75% in 2010 mainly due to the abovementioned legal provisions and expenses. Excluding these, the underlying cost/income ratio would have increased only marginally.

Loan impairment and other credit provisions

Loan impairments declined to EUR 518 million, down 41% year-on-year. The most significant improvements were in the Business Banking and LC&MB portfolios.

The tax rate was low mainly due to tax-exempt gains on exits in the private equity portfolios and certain local tax regulations.

Balance sheet developments

Loans and receivables - customers increased by more than EUR 7 billion or 9% year-on-year, mainly driven by a considerable growth in the Large Corporates and ECT loan portfolio and – to a lesser extent – the transfer of SME business volumes from R&PB to C&MB in the last quarter of 2010 (impact EUR 1.5 billion on loans and EUR 2.8 billion on deposits).

Due to Customers rose by EUR 15 billion or 25%. This increase was driven mainly by a sharp rise in securities financing transactions with clients compared to 2009 partially as a result of a heightened focus on core clients and the above-mentioned transfer of SME deposits from R&PB to C&MB in the last quarter of 2010.

6.5 Income statement Group Functions

(in millions of euros)	Full year 2010	Full year 2009	% change
<i>Underlying results</i>			
Net interest income	-111	-375	-70%
Non-interest income	330	589	-44%
Operating income	219	214	2%
Operating expenses	517	770	-33%
Loan impairments	-23	173	
Profit/(loss) before taxation	-275	-729	-62%
Income tax expense	11	-163	
Profit/(loss) for the period	-286	-566	-49%
Risk-Weighted Assets	5,365		
FTEs (at year-end)	9,180	10,842	-15%

The operating results of the EC Remedy activities, the operating results and the transaction result upon the sale of Intertrust, and the operating results of Prime Fund Solutions have been included in the segment Group Functions.

The majority of the costs of Group Functions are allocated to the businesses. The results of Group Functions include the results of ALM/Treasury.

A description of Group Functions is provided in section 5, Business overview.

Underlying results of operations for the years ended at 31 December 2010 and 2009

Loss for the period improved from EUR 566 million negative to EUR 286 million negative in 2010.

This improvement was mainly driven by the increase in net interest income. Loss for the period 2010, includes a EUR 130 million net-of-tax gain on the buyback of own debt.

Operating income

Operating income increased by EUR 5 million to EUR 219 million in 2010. Net interest income went up by EUR 264 and non-interest income decreased by EUR 259 million.

Net interest income improved by EUR 264 million to EUR 111 million negative year-on-year, rising mainly on the back of an increase of the mismatch result. In addition, in 2009 the replacement of short-term funding temporarily provided by the Dutch State at the end of 2008 was realised at a high cost due to the shortage of liquidity in that period. In 2010, higher liquidity costs were charged to the businesses. The improvement in net interest income was achieved in spite of higher funding costs and the negative impact in 2010 of the divestment of activities. Divested activities recorded net interest income of EUR 68 million in 2010 compared with EUR 268 million in 2009. In addition, interest costs for the EUR 2.6 billion of mandatory convertible securities issued to the Dutch State amounted to EUR 65 million in 2010 compared with EUR 38 million in 2009. These securities converted into equity on 1 April 2010.

Non-interest income decreased by EUR 259 million to EUR 330 million in 2010. This decrease can mainly be attributed to the divested activities. The 2009 results included EUR 302 million of non-interest income (including a book gain on the sale of Intertrust of EUR 81 million) from the divested activities compared with EUR 26 million in 2010. In addition, fees paid for credit protection bought from the Dutch State on a portfolio of own originated residential mortgages (terminated on 31 October 2010) were higher year-on-year. These costs amounted to EUR 138 million in 2010 compared with EUR 56 million in 2009. The 2009 results also included a large gain (EUR 84

million) on the sale of part of the investment portfolio. Lastly, non-interest income from the joint venture with Delta Lloyd (EUR 56 million) was booked in Group Functions in 2009. As from 2010, this is recorded in R&PB. The decline was partly offset by a EUR 175 million pre-tax gain on the buyback of GBP 600 million of own debt (an upper Tier 2 instrument), a release of part of the obligation for the Credit Umbrella (the financial guarantee that covers part of the potential credit losses on the EC Remedy assets) of EUR 50 million in line with the general improvement seen in the Dutch economy and improved results on various hedge accounting programmes.

Operating expenses

Operating expenses decreased by EUR 253 million to EUR 517 million in 2010 due to the divested activities (operating expenses were EUR 429 million in 2009 and EUR 79 million in 2010) which were partially offset by higher costs (such as central functions and IT infrastructure) related to the set-up of two standalone banks in the first half of 2010. The total costs for the Dutch Deposit Guarantee Scheme in 2009 were EUR 95 million, of which EUR 71 million costs was included in the operating expenses of Group Functions. The remaining EUR 24 million was booked in the business.

Loan impairment and other credit provisions

Loan impairments decreased by EUR 196 million to a release of EUR 23 million due mainly to the divested activities.

6.6 Reconciliation reported to underlying results

Separation and integration-related items

The reported figures have been impacted by several items related to the demerger of ABN AMRO Bank from RBS N.V., the separation of Fortis Bank Nederland (FBN) from BNP Paribas Fortis and the integration of ABN AMRO Bank and FBN. For a better understanding of underlying trends, the 2009 and 2010 figures have been adjusted for these items. On the next page is an overview of the separation and integration-related items.

(in millions of euros)	2010		2009	
	Gross	Net	Gross	Net
R&PB	-36	-27	-27	-21
C&MB			-22	-16
Group Functions	-105	-78	-188	-140
Total separation costs	-141	-105	-237	-177
R&PB	-39	-29	-3	-2
C&MB	-9	-7	-3	-2
Group Functions	-271	-202	-67	-50
Restructuring provisions	-451	-336		
Total integration costs	-770	-574	-73	-54
Closing EC Remedy	-845	-812		
Exceptional gain on cash settlement FCC			363	363
Total separation and integration-related items	-1,756	-1,491	53	132

A more detailed reconciliation of the reported and underlying results is given below.

ABN AMRO Group

(in millions of euros)	Full-year 2010 Reported	Separation/ integration related costs	Full-year 2010 Underlying	Full-year 2009 Reported	Separation/ integration related costs	Full-year 2009 Underlying
Net interest income	4,905		4,905	4,268		4,268
Non-interest income	1,892	-862	2,754	3,081	363	2,718
Operating income	6,797	-862	7,659	7,349	363	6,986
Operating expenses	6,229	894	5,335	5,549	310	5,239
Loan impairments	837		837	1,585		1,585
Profit/(loss) before taxation	-269	-1,756	1,487	215	53	162
Income tax expense	145	-265	410	-59	-79	20
Profit/(loss) for the period	-414	-1,491	1,077	274	132	142
Assets under Management (in EUR billion)	164.2		164.2	149.7		149.7
Cost/income ratio	92%		70%	76%		75%
Risk-Weighted Assets	116,328		116,328			
FTEs (at year-end)	26,161		26,161	29,551		29,551

The following separation and integration related costs were made during 2010:

- ▶ **EC Remedy:** EUR 862 million negative in non-interest income, a release of EUR 17 million in operating expenses (EUR 845 million pre-tax in total) and a EUR 33 million tax credit. This results in a total negative transaction result of EUR 812 million net-of-tax;
- ▶ **Other separation and integration costs:** EUR 911 million pre-tax in operating expenses (EUR 679 million net-of-tax) consisting of:
 - ▶ EUR 141 million pre-tax separation costs (EUR 105 million net-of-tax);
 - ▶ EUR 319 million pre-tax integration costs (EUR 238 million net-of-tax);
 - ▶ EUR 451 million restructuring personnel and housing provision (EUR 336 million net-of-tax). The results of the first half of 2010 included a provision of EUR 469 million, of which EUR 18 million was released again in the fourth quarter of 2010.

The EUR 894 million of operating expenses adjustment in 2010 in the table above is the total of EUR 911 million of separation and integration costs and the release of EUR 17 million of the EC Remedy.

The following adjustments were made to the 2009 figures:

- ▶ **Exceptional gain following the FCC settlement** (ABN AMRO Capital Finance Ltd, previously named Fortis Capital Company Ltd): EUR 363 million pre-tax and net-of-tax;
- ▶ **Separation and integration costs:** EUR 310 million pre-tax (EUR 231 million net-of-tax).

Retail & Private Banking

(in millions of euros)	Full-year 2010 Reported	Separation/ integration related costs	Full-year 2010 Underlying	Full-year 2009 Reported	Separation/ integration related costs	Full-year 2009 Underlying
Net interest income	3,430		3,430	3,118		3,118
Non-interest income	1,335		1,335	1,222		1,222
Operating income	4,765		4,765	4,340		4,340
Operating expenses	2,896	75	2,821	2,907	30	2,877
Loan impairments	342		342	540		540
Profit/(loss) before taxation	1,527	-75	1,602	893	-30	923
Income tax expense	392	-19	411	250	-8	258
Profit/(loss) for the period	1,135	-56	1,191	643	-22	665
Cost/income ratio	61%		59%	67%		66%

Commercial & Merchant Banking

(in millions of euros)	Full-year 2010 Reported	Separation/ integration related costs	Full-year 2010 Underlying	Full-year 2009 Reported	Separation/ integration related costs	Full-year 2009 Underlying
Net interest income	1,589		1,589	1,513		1,513
Non-interest income	1,086		1,086	919		919
Operating income	2,675		2,675	2,432		2,432
Operating expenses	2,006	9	1,997	1,617	25	1,592
Loan impairments	518		518	872		872
Profit/(loss) before taxation	151	-9	160	-57	-25	-32
Income tax expense	-14	-2	-12	-81	-6	-75
Profit/(loss) for the period	165	-7	172	24	-19	43
Cost/income ratio	75%		75%	66%		65%

Group Functions

(in millions of euros)	Full-year 2010 Reported	Separation/ integration related costs	Full-year 2010 Underlying	Full-year 2009 Reported	Separation/ integration related costs	Full-year 2009 Underlying
Net interest income	-111		-111	-375		-375
Non-interest income	-532	-862	330	952	363	589
Operating income	-643	-862	219	577	363	214
Operating expenses	1,327	810	517	1,025	255	770
Loan impairments	-23		-23	173		173
Profit/(loss) before taxation	-1,947	-1,672	-275	-621	108	-729
Income tax expense	-233	-244	11	-228	-65	-163
Profit/(loss) for the period	-1,714	-1,428	-286	-393	173	-566

risk management 7

Certain information in the Risk Management section has been audited and is part of the Group's financial statements as permitted by IFRS 7. Other disclosures are unaudited and labelled with an asterisk (*).

Key achievements in 2010 *)

- ▶ Risk profile in line with risk capacity
- ▶ Integrated risk governance and risk policy framework
- ▶ Risk appetite for the bank defined
- ▶ Enhanced bank-wide risk culture.

7.1 Building a strong risk organisation *)

The credit crunch affected the governance of banks industry-wide. ABN AMRO has reinforced its risk culture at every level of the organisation, increasing the effectiveness of risk management. The bank was able to bolster its risk culture thanks to the comprehensive and independent risk management organisation. The Managing Board has overall responsibility for the risks assumed by ABN AMRO and endorses and approves the bank's risk appetite in accordance with the corporate strategy. The bank's risk management functions operate under the direct responsibility of the Chief Risk Officer, who is a member of the Managing Board.

7.1.1 Status of the integration *)

In 2010, the risk organisations of ABN AMRO Bank and FBN merged to form the new risk organisation, Risk Management & Strategy (RM&S). The journey towards integration involved the following activities:

- ▶ designing a new risk organisation;
- ▶ defining a risk strategy, risk appetite and risk governance;
- ▶ performing ongoing HR processes such as sourcing and matching;
- ▶ relocating employees of both former banks.

Risk governance was put into place, ensuring risk control under the supervision of risk committees. The bank's risk taxonomy was defined as the foundation for the risk management strategy. The risk policies of ABN AMRO Bank and FBN were harmonised into comprehensive risk policies based on a clearly-defined risk strategy and risk appetite, which in turn shape the bank's risk management processes. Harmonisation of the models is in progress and aligned with system integration activities. Where certain systems are not harmonised yet, RM&S has defined specific workarounds, procedures and work instructions which will apply until the integration is final.

7.1.2 Mission, strategy and business model

7.1.2.1 Mission

RM&S aims to contribute to the bank's overall 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.

*) Unaudited

7.1.2.2 Strategy

RM&S 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.

RM&S ensures a balanced approach between risk and return by:

- ▶ protecting the financial position of the bank through implementation of clear responsibilities and accountability for risk management, defined bank-wide;
- ▶ ensuring independent control of risk management;
- ▶ pursuing effective resourcing and ensuring highly-qualified risk management staff;
- ▶ protecting the reputation of the bank by ensuring transparent and coherent risk-related decision-making throughout the bank, taking into account all types of risk defined in the risk taxonomy.

ABN AMRO is committed to embedding environmental and social criteria in the risk framework. A dedicated team has worked to include sustainability in the bank's risk policy, governance and taxonomy. These processes genuinely improve the quality of the business and help the bank take well-informed decisions.

7.1.2.3 Business model *)

Risk Management, Group Economics and Strategy & Corporate Development (including investor relations) have been combined to form one organisation which offers support in exchanging information and adopting a single strategy. The bank aims for a moderate risk profile with healthy returns. RM&S defines the bank's risk policy in close cooperation with the businesses, monitors risk and makes proposals for important risk decisions submitted to the Managing Board. In addition, RM&S manages the process of allocating capital.

Group Economics offers risk expertise at macro-, meso- and micro-economic levels. The central risk functions, such as Strategy & Corporate Development and Central Risk Management, define the business strategy and translate it into the corporate risk policy and risk appetite. Central Risk Management fleshes out these policies and oversees implementation and control, covering both financial and non-financial sanctioning and authorisation (including sustainability) of risks. Business Risk Officers at Retail & Private Banking (R&PB) and Commercial & Merchant Banking (C&MB) monitor risk in the businesses, perform analyses and authorise and conduct risk assessments. Financial Restructuring & Recovery (FR&R) is in charge of all loans that are in default or represent a materially increased credit risk. Finally, Asset & Liability Management/Treasury (ALM/T) is responsible for managing liquidity risk, interest rate risk and the level of capital available to the Bank. ALM/T also reports to finance.



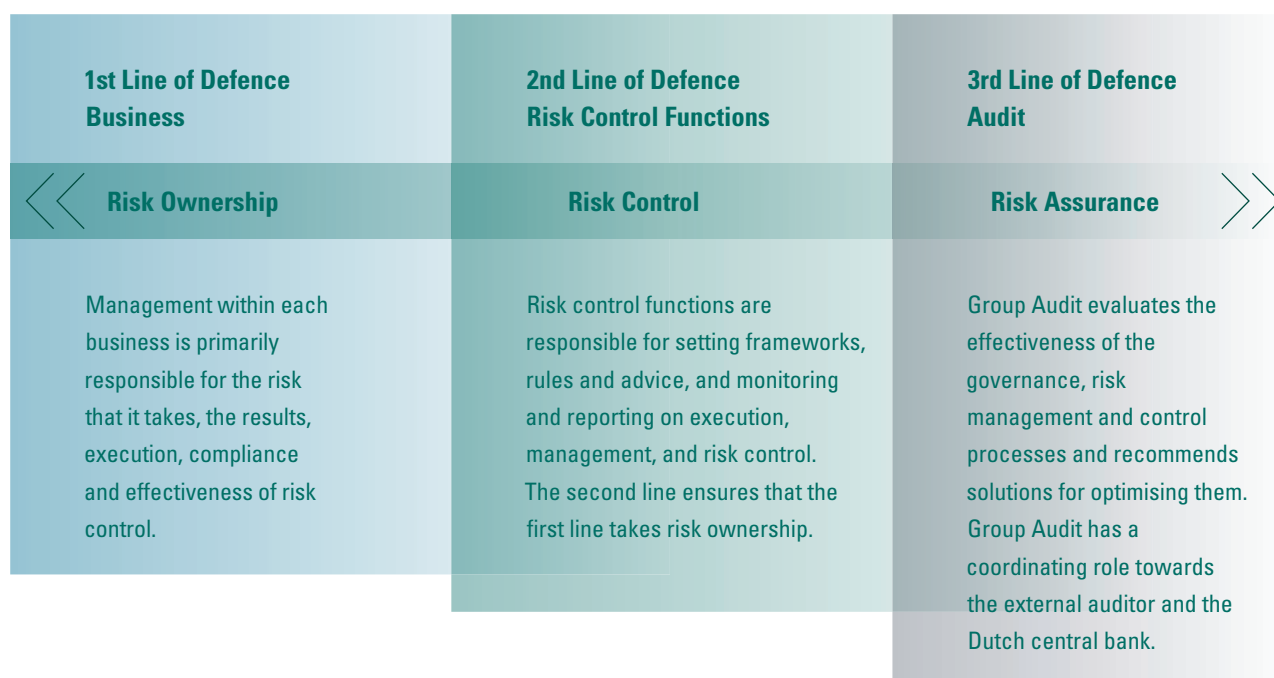
*) Unaudited

7.2 Risk governance

7.2.1 Three lines of defence: risk types under one umbrella

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



RM&S has oversight of all risks to which the bank is exposed and monitors the implementation of the three lines of defence model.

7.2.2 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.

7.2.2.1 Executive committees

Group Risk Committee

The Group Risk Committee (GRC) is mandated by the Managing Board to monitor, assess and manage the bank's risk profile in keeping with the risk appetite. Its responsibilities are:

- ▶ to define – at least annually – the risk appetite of the bank and the businesses (final approval by Managing Board);
- ▶ to review the risk profile of the bank and the underlying businesses in alignment with the risk appetite and to formulate corrective actions when necessary;
- ▶ to approve new activities and products;
- ▶ to formulate risk policies;
- ▶ to formulate risk and capital models;
- ▶ to carry out risk governance (including delegation and approval authorities);

- ▶ to define limits on risk positions (insofar as this is not under the mandate of the Asset & Liability Committee (ALCO));
- ▶ to discuss any other business delegated to it by the Managing Board.

The GRC may delegate its approval authority to underlying risk committees, but retains ultimate responsibility.

The terms and conditions of the delegation of authority with respect to risk policies, methodologies and new products are specified in the risk policies (e.g. Product and Activity Approval Policy).

Central Credit Committee

The Central Credit Committee (CCC) is mandated by the Managing Board to decide on all credit proposals with a major impact on ABN AMRO's risk profile. Its responsibilities are:

- ▶ to approve all credit proposals (including provisions/write-offs) beyond the mandates of subsidiary risk committees (Business Credit Committees, Central Risk Management, Credit Committee and Financial Recovery & Restructuring Committee);
- ▶ to approve all country risk proposals beyond the mandate of the Country Risk Committee;
- ▶ to take decisions on all matters delegated to the CCC by the Managing Board.

Asset and Liability Committee

The Asset & Liability Committee (ALCO) deals primarily, within the mandate of the Managing Board, with the exposure or balance sheet structure of the bank in relation to liquidity, interest income, interest rate risk management, management of Foreign Exchange (FX) exposure and capital management within the defined framework and limits. Its responsibilities are:

- ▶ to define policies regarding transfer pricing, interest rate risk of the banking book, liquidity, corporate foreign exchange risk, ALM investments, long-term funding and capital management, including implementation;
- ▶ to manage the bank's interest rate, liquidity, foreign exchange position;
- ▶ to manage regulatory capital and capital adequacy of the bank, including the bank's capital structure and local capitalisation;

- ▶ to oversee the bank's long- and short-term funding, in accordance with the risk profile and using the bank's own assets for funding purposes;
- ▶ to oversee the bank's investment portfolio and collateral management;
- ▶ to approve all authorities for setting limits on local positions and local ALCO mandates.

Proposals that go beyond the approved mandate of the ALCO are sent to the Managing Board for approval.

7.3 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 Board and the Supervisory Board.

The bank has developed a risk appetite framework to ensure that the risk appetite is fully embedded in the business. The risk appetite specifies the use of risk capacity across the different risk types, businesses and operating entities, optimising risk and return. Within ABN AMRO's risk tolerance boundaries, the risk appetite specifies:

- ▶ how ABN AMRO deploys its overall risk-taking capacity by defining the amount of risk exposure the businesses and operating entities may take for each risk type;
- ▶ the minimum required return on risk-adjusted capital (i.e. hurdle rate).

ABN AMRO thus allocates its risk-taking capacity to those business areas that optimise the balance of risk and return and maximise value creation. In addition, ABN AMRO ensures that an appropriate level of funds remains available for new business opportunities.

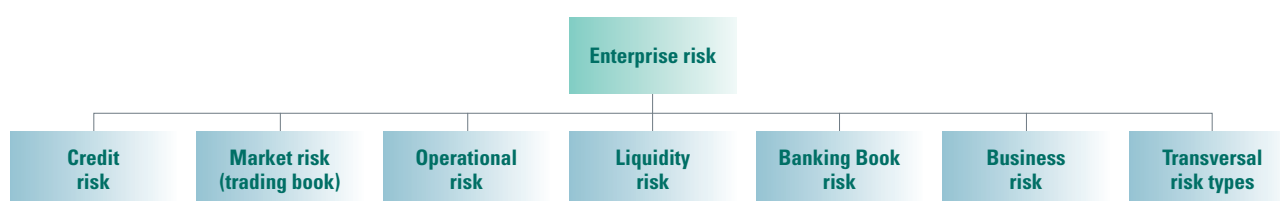
The bank's activities are continuously monitored against the risk appetite and reported to the Managing Board.

The Managing Board discusses the individual risk types and considers all risks collectively, and frequently discusses the enterprise-wide risk profile of the bank in relation to the risk appetite.

In accordance with the guidelines laid down in the Banking Code of the Dutch Banking Association (NVB), and in line with the bank's strategy, moderate risk profile and risk appetite, ABN AMRO introduced the Product and Activity Approval Policy in 2010. This policy, which applies to ABN AMRO Group, sets out the process, activities and approval procedure for the development and introduction of new products and activities and changes to existing products and activities.

7.3.1 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 following chart:



7.3.2 Risk types

The risk types as defined in the risk taxonomy are explained per risk type in the following sections.

7.3.2.1 Credit risk

Credit risk

Credit risk is the risk of a loss because a debtor fails to meet the terms of a contract or otherwise fails to perform as agreed.

Credit risk management

Credit risk management within the bank is governed by the Central Credit Risk Policy and detailed further in specific credit risk policies. The policy defines the framework for managing and monitoring the bank's credit risk. It provides specific guidance and defines minimum standards for managing and monitoring credit risk, in line with the bank's risk strategy and credit risk appetite. The policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk. The policy establishes 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 bank reviewed its Credit Policy framework in 2010 and, as of September 2010, has started to harmonise the ABN AMRO Bank and FBN policies and review and rewrite

the credit policies where required. This process is well on track and legacy policies have been adopted for the interim period. Specifically, the Central Credit Risk Policy – setting the overall framework – was rewritten in 2010. Key policies, such as those governing country risks, off-balance sheet instruments and maximum counterparty exposure ("one obligor exposure") were also harmonised. 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. The necessary policies concerning all credit risk activities are in place.

For its retail lending portfolios, including individual as well as small commercial clients, the bank uses the programme lending approach to manage risks and exposures at product portfolio level. The specific bank-wide programme lending policies that govern programme lending were reviewed in 2010 to support the integration of the retail lending portfolios following the Legal Merger.

The credit lifecycle

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 Bank 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.

An overview of decision-making on credit proposals is provided in the Central Credit Committee section.

Counterparty acceptance criteria are the conditions that the bank applies to the acceptance of credit clients.

These conditions reflect the generally acceptable credit risk profile that the bank has defined. The bank operates in accordance with sound, well-defined credit granting criteria in order to protect its reputation and ensure its sustainability.

To allow timely corrective action, credit risk is monitored on an ongoing basis.

Credits with a high-risk profile (infected, defaulted and impaired credits) are transferred to the Financial Restructuring & Recovery department (FR&R). FR&R develops strategies to rehabilitate an impaired credit or to increase the likelihood of final repayment.

Credit risk exposure

The amounts stated in the table below represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed to completely perform as contracted and any collateral

or security proved to be of no value. Consequently the amounts significantly exceed expected losses in the event of counterparty default. Credit risk exposure is presented based on the classification in the balance sheet to reflect the nature and characteristics of the exposure.

(in millions of euros)	2010	2009
Cash and balances at central banks (see note 14)	906	4,368
Total net Cash and cash equivalents	906	4,368
Financial assets held for trading ¹⁾ (see note 15)		
Trading securities	3,710	1,476
Trading derivatives	8,211	7,122
Other assets held for trading	1,882	1,122
Total financial assets held for trading	13,803	9,720
Loans and receivables - banks (see note 17)		
Interest-bearing deposits	3,152	20,020
Loans and advances	5,379	3,702
Reverse repurchase agreements	2,856	3,102
Securities borrowing transactions	21,162	16,643
Mandatory reserve deposits with central banks	4,187	1,202
Other	4,430	453
Total Loans and receivables - banks	41,166	45,122
Impairments	-49	-60
Total net Loans and receivables - banks	41,117	45,062
Loans and receivables - customers (see note 18)		
Government and official institutions	3,259	4,036
Residential mortgages (including fair value adjustment from hedge accounting)	163,603	162,916
Consumer loans	14,210	14,258
Commercial loans (including fair value adjustment from hedge accounting)	82,928	87,105
Reverse repurchase agreements	12,096	4,197
Securities borrowing transactions	2,243	10,622
Other	1,702	1,716
Total Loans and receivables - customers	280,041	284,850
Impairments	-4,286	-4,121
Total net Loans and receivables - customers	275,755	280,729

¹⁾ Equities are excluded, because these do not give rise to credit risk.

continued >

(in millions of euros)	2010	2009
Financial investments ¹⁾ (see note 16)		
Dutch government	2,287	2,922
US Treasury and US government	393	
Other OECD government	8,598	11,179
Non-OECD government	58	4
Mortgages and other asset backed securities	3,596	886
Financial institutions	4,270	4,589
Non-financial institutions	442	345
Other interest earning securities		
Designated at fair value through profit or loss	246	356
Total interest bearing investments	19,890	20,281
Impairments	-11	-9
Total net Interest bearing investments	19,879	20,272
Accrued income and prepaid expenses (see note 24)	4,169	3,532
Total accrued income and prepaid expenses	4,169	3,532
Other assets (partly included in note 26) ²⁾	3,565	4,349
Impairments	-4	-5
Total net Other assets	3,561	4,344
Total on-balance credit risk exposure	363,540	372,222
Impairments	-4,350	-4,195
Total net on-balance credit risk exposure	359,190	368,027
Off-balance credit commitments exposure gross	37,779	26,443
Impairments	-33	-33
Off-balance credit commitments exposure net (see note 38)	37,746	26,410
Revocable credit facilities ³⁾	63,469	67,907
Total off-balance credit facilities and guarantees	101,215	94,317
Total credit risk exposure gross	464,755	466,539
Impairments	-4,350	-4,195
Total credit risk exposure net	460,405	462,344

¹⁾ Equities are excluded, because these do not give rise to credit risk.

²⁾ Consists of non-trading derivative assets, reinsurers' share, trade and other receivables, and balancing temporary amounts between trade date and settlement date.

³⁾ Although not committed, ABN AMRO is of the opinion that revocable credit facilities give rise to credit risk. These are not included as committed credit facilities in note 38 to the Annual Financial Statements.

More information on the off-balance sheet credit commitments exposure is provided in note 38 to the Annual Financial Statements.

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 the bank's credit risk strategy of maintaining granular, liquid and diversified portfolios. The bank applies industry concentration limits based on Industry Classification Benchmark (ICB) clusters. The following table shows the industry concentration of the Loans and receivables - banks and Loans and receivables - customers at year-end.

(in millions of euros)	2010		2009	
	Carrying amount Loans and receivables - banks and customers	Total%	Carrying amount Loans and receivables - banks and customers	Total%
Industry sector				
Automobiles and parts	511	0.2%	463	0.1%
Banks	41,166	12.8%	45,122	13.7%
Basic resources	1,385	0.4%	2,990	0.9%
Chemicals	671	0.2%	484	0.2%
Construction and materials	2,697	0.8%	3,787	1.1%
Financial services	12,721	4.0%	8,873	2.7%
Food and beverage	6,685	2.1%	7,303	2.2%
Health care	4,498	1.4%	5,493	1.7%
Industrial goods and services	22,675	7.1%	21,853	6.6%
Insurance	452	0.1%	426	0.1%
Media	371	0.1%	994	0.3%
Oil and gas	2,542	0.8%	1,743	0.5%
Personal and household goods	917	0.3%	1,257	0.4%
Private individuals non-Industry Classification Benchmark	178,395	55.5%	177,174	53.7%
Public administration non-Industry Classification Benchmark	3,259	1.0%	4,036	1.2%
Real estate	9,913	3.1%	11,537	3.5%
Retail	6,304	2.0%	10,318	3.1%
Technology	448	0.1%	662	0.2%
Telecommunications	250	0.1%	218	0.1%
Travel and leisure	1,951	0.6%	3,080	0.9%
Utilities	2,520	0.8%	1,926	0.6%
Non-classified	20,876	6.5%	20,233	6.1%
Total Loans and receivables - banks and customers gross	321,207	100.0%	329,972	100.0%
Impairments	-4,335		-4,181	
Total Loans and receivables - banks and customers net	316,872		325,791	

The significant concentration of credit risk exposures observed in the line Private individuals non-Industry Classification Benchmark consists mainly of residential

mortgage loans including fair value hedge adjustment (2010: EUR 163,6 billion; 2009: EUR 162.9 billion) and, to a lesser extent, consumer loans.

Country risk

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 actions by the authorities of the country or by other events impeding the transfer.

The bank manages these risks through individual country analysis and control of exposure concentration. Decision-

making rests with authorised individuals and senior credit committees. Deteriorating risks within a country are subject to an additional risk assessment/control framework.

The following tables provide information on the geographic concentration of Loans and receivables - banks and Loans and receivables - customers (both gross amounts) and off-balance credit risk by entity location.

(in millions of euros)			2010
	The Netherlands	Other countries	Total
Total Loans and receivables - banks	15,183	25,983	41,166
Loans and receivables - customers			
Residential mortgages (including fair value adjustment from hedge accounting)	162,936	667	163,603
Other consumer loans	11,898	2,312	14,210
Total consumer loans	174,834	2,979	177,813
Commercial loans (including fair value adjustment from hedge accounting)	62,462	20,466	82,928
Other commercial loans	1,861	14,180	16,041
Total commercial loans	64,323	34,646	98,969
Government and official institutions	3,028	231	3,259
Total Loans and receivables - customers	242,185	37,856	280,041
Other assets	1,881	1,684	3,565
Total on-balance	259,249	65,523	324,772
Off-balance ¹⁾	70,410	30,805	101,215
Total on and off-balance	329,659	96,328	425,987

¹⁾ Includes revocable credit facilities.

(in millions of euros)			2009
	The Netherlands	Other countries	Total
Total Loans and receivables - banks	4,776	40,346	45,122
Loans and receivables - customers			
Residential mortgages (including fair value adjustment from hedge accounting)	162,445	471	162,916
Other consumer loans	12,331	1,927	14,258
Total consumer loans	174,776	2,398	177,174
Commercial loans (including fair value adjustment from hedge accounting)	69,249	17,856	87,105
Other commercial loans	8,372	8,163	16,535
Total commercial loans	77,621	26,019	103,640
Government and official institutions	3,818	218	4,036
Total Loans and receivables - customers	256,215	28,635	284,850
Other assets	3,091	1,258	4,349
Total on-balance	264,082	70,239	334,321
Off-balance ¹⁾	74,317	20,000	94,317
Total on and off-balance	338,399	90,239	428,638

¹⁾ Includes revocable credit facilities.

Sovereign and sovereign-guaranteed exposures

The following table shows an overview of the book values of the largest exposures to European governments and government-related entities as at 31 December 2010. These exposures include debt issued by central governments and local governments and debt which is guaranteed by a central government. The exposures reported are part of the loan, trading and investment books.

(in billions of euros)		
	Total Book Value	Total Fair Value
The Netherlands	13.2	13.2
Belgium	2.6	2.6
France	2.3	2.3
Germany	2.1	2.1
Greece	1.4	1.2
Italy	1.3	1.3
United Kingdom ²⁾	0.9	0.9
Austria	0.9	0.9
Poland	0.3	0.3
Portugal	0.2	0.2
Ireland	0.1	0.1
Finland	0.1	0.1
Spain	0.1	0.1
Total	25.5	25.3

²⁾ GBP denominated exposure

The majority of ABN AMRO's government and government-related exposures are recorded in the Available for Sale portfolio in Financial Investments. An unrealised gain of EUR 530 million is recorded on these exposures. Of the unrealised gain, fair value hedge accounting was applied for an amount of EUR 574 million.

In addition, some of the exposures (mainly Greece and the Netherlands) are recorded in loans and receivables (at amortised cost). The Greek exposures show an unrealised loss of EUR 216 million compared to the fair value at year-end. No impairments have been booked as these loans are performing. The remainder of the exposures are booked at fair value and are part of the trading portfolio in Financial assets held for trading.

The figures for the Netherlands exclude loans which are Dutch State guaranteed, such as government guaranteed mortgages (NHG), but do include corporate loans that are Dutch State guaranteed and deposits with DNB.

Credit risk rating

The credit quality of the portfolio of financial assets can be assessed with reference to ABN AMRO's internal counterparty rating system, which reflects the probability of default of an obligor.

The bank'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 several aspects, including both a financial and non-financial analysis of the counterparty.

Each counterparty to whom the bank 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 and UCR 6-8 is in default, according to the bank's definition of default. The table below provides an overview of the relationship between the internal ratings (UCR) and the counterparty's probability of default and an indication of how the internal ratings of ABN AMRO Bank compares with the external rating agencies Standards & Poor's, Fitch and Moody's.

UCR:	1	2+ to 2-	3+ to 3-	4+ to 4-	5+ to 5-	6+	6-8
Expected default rates (%) 2010	0-0.03	0.03-0.13	0.13-0.46	0.46-2.22	2.22-16.97	16.97-100.00	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 quality of retail loans and other financial assets

The bank manages its retail lending portfolio with a programme lending approach. This covers both the loan portfolios of individual clients and small businesses. Loans and receivables - customers are not rated but clients are assessed monthly with a customer risk grade that is calculated taking into account the development of

each client's overall client relationships with the bank. An indication of the credit quality of these loans and receivables can be derived from the table on the next page. The collateral obtained for the loans and receivables as well as the geographical breakdown of the underlying products of the portfolio are included in the sections Monitoring and Country risk.

The following table shows the credit quality of the Loans and receivables - banks and Loans and receivables - customers at year-end.

(in millions of euros)	2010	2009
Grade category		
Investment grade (UCR1-UCR3-)	207,229	185,835
Sub investment grade (UCR4+-UCR6+)	61,893	79,415
Default without provision (UCR6)	3,251	5,199
Default with provision (UCR7-UCR8)	6,241	4,917
Total rated	278,614	275,366
Securities borrowing transactions	23,405	27,265
Repurchase agreements	14,952	7,299
Other unrated	4,236	20,042
Total unrated	42,593	54,606
Total rated and unrated	321,207	329,972
Total loans and receivables - banks	41,166	45,122
Total loans and receivables - customers	280,041	284,850
Total loans and receivables	321,207	329,972

The following tables show the credit quality of cash and balances at central banks, financial assets held for trading, financial investments and other assets.

Cash and balances at central banks

This represents cash on hand and available demand balances with central banks in countries in which the bank has a presence. The credit quality is therefore investment grade. Cash on hand is not rated. Further information is provided in note 14 of the Annual Financial Statements.

(in millions of euros)	2010	2009
Grade category		
Investment grade (UCR1-UCR3-)	326	3,318
Sub investment grade (UCR4+-UCR6+)		
Default without provision (UCR6)		
Default with provision (UCR7-UCR8)		
Total rated	326	3,318
Cash on hand unrated	580	1,050
Total unrated	580	1,050
Total rated and unrated	906	4,368
Total cash and balances at central banks	906	4,368

Financial assets held for trading

These assets represent derivatives and securities held for trading. Further information is included in note 15.

(in millions of euros)	2010	2009
Grade category		
Investment grade (UCR1-UCR3-)	11,373	4,921
Sub investment grade (UCR4+-UCR6+)	819	1,519
Default without provision (UCR6)	94	68
Default with provision (UCR7-UCR8)	11	25
Total rated	12,297	6,533
Unrated derivatives held for trading	1,340	3,187
Unrated trading book loans	166	
Total unrated	1,506	3,187
Total rated and unrated	13,803	9,720
Total assets held for trading	13,803	9,720

Financial investments

These investments represent interest-earning securities. Further information is included in note 16 to the Annual Financial Statements.

(in millions of euros)	2010	2009
Grade category		
Investment grade (UCR1-UCR3-)	19,284	20,277
Sub investment grade (UCR4+-UCR6+)	67	4
Default without provision (UCR6)		
Default with provision (UCR7-UCR8)		
Total rated	19,351	20,281
Unrated Interest-earning securities	539	
Total unrated	539	
Total rated and unrated	19,890	20,281
Total net interest bearing investments	19,890	20,281

Other assets

Other assets represent non-trading derivatives and the amount of the receivables purchased by ABN AMRO (the factor) from its client under a contract of non-recourse factoring. Further information is included in note 26.

(in millions of euros)	2010	2009
Grade category		
Investment grade (UCR1-UCR3-)	1,296	815
Sub investment grade (UCR4+-UCR6+)		
Default without provision (UCR6)		
Default with provision (UCR7-UCR8)		
Total rated	1,296	815
Reinsures shares, trade and other receivables	1,872	1,684
Balancing temporary amounts between trade date and settlement date	177	1,845
Unrated non-trading derivative assets	216	
Total unrated	2,265	3,529
Total rated and unrated	3,561	4,344
Total Other assets	3,561	4,344

Credit risk mitigation

Credit risk mitigation is the technique of reducing credit risk associated with a credit facility or exposure. The bank primarily reduces credit risk by obtaining security/collateral (together referred to as collateral). Collateral is any commitment made or privilege given by a counterparty or third party to which the bank can seek recourse in the event of the counterparty's default in order to reduce credit losses.

Collateralisation is regarded as a complement to, and not a replacement for, credit analysis of the counterparty. Collateral is monitored regularly to ensure that it remains legally effective and enforceable and of sufficient value. Depending on the type of collateral periodical reassessments of the value is required. The frequency of monitoring is for all types of collateral based on value volatility, significant market changes or significant decrease of creditworthiness of the counterparty.

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.

There are several policies in place within the bank that specifically define which types of collateral are acceptable to the bank as credit risk mitigators. Collateral is obtained if and when required prior to the disbursement of approved loans. ABN AMRO ensures that it has clear rights over the collateral, which are legally effective and enforceable at all times.

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's rights.

Collateral and guarantees received as security for financial assets are as follows:

(in millions of euros)					2010
	Carrying amount	Financial instruments	Property, plant & equipment	Other collateral and guarantees	Collateral received Total Collateral received
Total Loans and receivables - banks	41,117	23,379		2,715	26,094
<i>Loans and receivables - customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	163,341	578	185,447	703	186,728
Other consumer loans	13,859	1,790	518	3,820	6,128
Total consumer loans	177,200	2,368	185,965	4,523	192,856
Commercial loans (including fair value adjustment from hedge accounting)	79,255	3,724	21,668	14,800	40,192
Other commercial loans	16,041	16,547			16,547
Total commercial loans	95,296	20,271	21,668	14,800	56,739
Government and official institutions	3,259			216	216
Total Loans and receivables - customers	275,755	22,639	207,633	19,539	249,811
Accrued income and prepaid expenses	4,169				
Total accrued income and prepaid expenses	4,169				
Other assets	3,561	2		276	278
Total on-balance	324,602	46,020	207,633	22,530	276,183
Total off-balance ¹⁾	101,215	192	537	7	736
Total credit exposure	425,817	46,212	208,170	22,537	276,919

¹⁾ Includes revocable credit facilities.

(in millions of euros)					2009
	Carrying amount	Financial instruments	Property, plant & equipment	Other collateral and guarantees	Collateral received Total Collateral received
Total Loans and receivables - banks	45,062	20,366		184	20,550
<i>Loans and receivables - customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	162,691	144	186,500	607	187,251
Other consumer loans	13,841	1,590		1,594	3,184
Total consumer loans	176,532	1,734	186,500	2,201	190,435
Commercial loans (including fair value adjustment from hedge accounting)	83,626	3,453	16,880	21,526	41,859
Other commercial loans	16,535	15,813	1,711	154	17,678
Total commercial loans	100,161	19,266	18,591	21,680	59,537
Government and official institutions	4,036			201	201
Total Loans and receivables - customers	280,729	21,000	205,091	24,082	250,173
Accrued income and prepaid expenses	3,532				
Total accrued income and prepaid expenses	3,532				
Other assets	4,344	2		310	312
Total on-balance	333,667	41,368	205,091	24,576	271,035
Total off-balance ¹⁾	94,317	454	3,735	552	4,741
Total credit exposure	427,984	41,822	208,826	25,128	275,776

¹⁾ Includes revocable credit facilities.

Management of loans at risk and impaired loans

Loans at risk are primarily exposures for which signals have been detected indicating that the counterparty may become impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counter-

parties in order to optimise monitoring and review of these loans. According to the bank Uniform Counterparty Rating (UCR), loans at risk with ratings 7 and 8 are impaired. Other loans at risk are still non-impaired but will likely be impaired in the near future.

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 lower than its current outstanding. Financial assets that have reached the "90 days past due" trigger are

automatically classified as being in default. The table below provides information on the ageing of past due financial assets not classified as defaulted (financial assets that have reached the "90 days past due" trigger are therefore not included).

(in millions of euros)					2010
	Carrying amount of assets (not classified as impaired)	≤ 30 days past due	> 30 days & ≤ 60 days past due	> 60 days & <90 days past due	Total
Total Loans and receivables - banks	41,027	1			1
<i>Loans and receivables - customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	162,359	1,965	569	390	2,924
Other consumer loans	13,471	128	14	16	158
Total consumer loans	175,830	2,093	583	406	3,082
Commercial loans (including fair value adjustment from hedge accounting)	76,456	1,076	79	670	1,825
Other commercial loans	15,830	7	1	6	14
Total commercial loans	92,286	1,083	80	676	1,839
Government and official institutions	3,256	123	4	171	298
Total Loans and receivables - customers	271,372	3,299	667	1,253	5,219
Accrued income and prepaid expenses	4,169				
Total accrued income and prepaid expenses	4,169				
Other assets	3,542	459	46	65	570
Total	320,110	3,759	713	1,318	5,790

(in millions of euros)					2009
	Carrying amount of assets (not classified as impaired)	≤ 30 days past due	> 30 days & ≤ 60 days past due	> 60 days & <90 days past due	Total
Total Loans and receivables - banks	44,954				
<i>Loans and receivables - customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	161,674	1,942	706	695	3,343
Other consumer loans	13,654	207	27	31	265
Total consumer loans	175,328	2,149	733	726	3,608
Commercial loans (including fair value adjustment from hedge accounting)	80,889	1,404	414	327	2,145
Other commercial loans	16,369	10	2	7	19
Total commercial loans	97,258	1,414	416	334	2,164
Government and official institutions	4,033	74		143	217
Total Loans and receivables - customers	276,619	3,637	1,149	1,203	5,989
Accrued income and prepaid expenses	3,532				
Total accrued income and prepaid expenses	3,532				
Other assets	4,303	377	34	72	483
Total	329,408	4,014	1,183	1,275	6,472

Credit quality of financial assets that are past due but not defaulted

Collateral and guarantees received as security for past due but not defaulted financial assets are detailed below.

(in millions of euros)					2010
					Collateral Received
	Carrying amount	Financial instruments	Property, plant & equipment	Other collateral and guarantees	Total Collateral received
Total Loans and receivables - banks	1				
<i>Loans and receivables - customers</i>					
Residential mortgages (including fair value adjustment from hedge accounting)	2,925	5	2,834		2,839
Other consumer loans	158	75	22		97
Total consumer loans	3,083	80	2,856		2,936
Commercial loans (including fair value adjustment from hedge accounting)	1,825	241	442	97	780
Other commercial loans	14	177			177
Total commercial loans	1,839	418	442	97	957
Government and official institutions	297			163	163
Total Loans and receivables - customers	5,219	498	3,298	260	4,056
Other assets	569			218	218
Total on-balance	5,789	498	3,298	478	4,274
Total off-balance					
Total past due credit exposure	5,789	498	3,298	478	4,274

Impaired credit exposure

A financial asset is classified as impaired if one or more loss events are identified that 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 its credit obligations in full, without recourse by the bank to actions such as realising collateral;
- ▶ the counterparty has a material credit obligation that is past due for more than 90 days (overdrafts will be considered overdue once the client has exceeded an advised limit).

The bank 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 (or events) 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. 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. As a consequence, the performing loan portfolio (i.e. non-impaired) contains no material credit exposure with respect to such restructured loans or debts as at 31 December 2010.

Impairment for specific credit risk is established if there is objective evidence that the bank 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.

The table below provides information on impairments and impaired credit risk exposure as at 31 December.

	2010			2009		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
<i>(in millions of euros)</i>						
Total Loans and receivables - banks	139	-49	35.3%	168	-60	35.7%
<i>Loans and receivables - customers</i>						
Residential mortgages	1,244	-262	21.1%	1,242	-225	18.1%
Other consumer loans	739	-351	47.5%	604	-418	69.2%
Total consumer loans	1,983	-613	30.9%	1,846	-643	34.8%
Commercial loans	6,472 ¹⁾	-3,638	56.2%	6,216 ¹⁾	-3,448	55.5%
Other commercial loans	211	-33	15.6%	166	-28	16.9%
Total commercial loans	6,683	-3,671	54.9%	6,382	-3,476	54.5%
Government and official institutions	3	-2	66.7%	3	-2	66.7%
Total Loans and receivables - customers	8,669	-4,286	49.4%	8,231	-4,121	50.1%
Other assets	23	-3	13.0%	46	-5	10.9%
Total on-balance	8,831	-4,338	49.1%	8,445	-4,186	49.6%
Total off-balance	468		0.0%	445		0.0%
Total impaired credit risk exposure	9,299	-4,338	46.7%	8,890	-4,186	47.1%

¹⁾ Includes the full impairment of the Madoff exposure.

The following table provides details on collateral and guarantees received as security for financial assets and commitments classified as impaired:

(in millions of euros)					2010
	Impaired outstanding	Financial instruments	Property, plant & equipment	Other collateral and guarantees	Collateral received
Total Loans and receivables - banks	139				
<i>Loans and receivables - customers</i>					
Residential mortgages	1,244	12	1,227		1,239
Other consumer loans	739	14	102	2	118
Total consumer loans	1,983	26	1,329	2	1,357
Commercial loans	6,472 ¹⁾	12	1,388	415	1,815
Other commercial loans	211	382			382
Total commercial loans	6,683	394	1,388	415	2,197
Government and official institutions	3				
Total Loans and receivables - customers	8,669	420	2,717	417	3,554
Other assets	23			18	18
Total on-balance	8,831	420	2,717	435	3,572
Total off-balance	468				
Total impaired credit exposure	9,299	420	2,717	435	3,572

¹⁾ Includes the full impairment of the Madoff Exposure.

Where possible, ABN AMRO seeks to restructure loans rather than to take possession of collateral. The carrying value of collateral obtained during 2010 as well as 2009 is therefore not material.

Incurred but not identified

Incurred but not identified (IBNI) impairments on loans represents losses inherent in components of the non-impaired portfolio 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 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.

7.3.2.2 Market risk (trading book)

Market risk is the risk of loss resulting from unfavourable market price movements that can arise from trading or holding positions in financial instruments in the trading book. ABN AMRO is mainly exposed to market risk through client-facilitating activities carried out by Markets. Within the overall risk mandate of the bank, dedicated risk committees approve mandates and set limits for each trading desk as well as for the combined trading activities and monitor usage.

Value-at-Risk

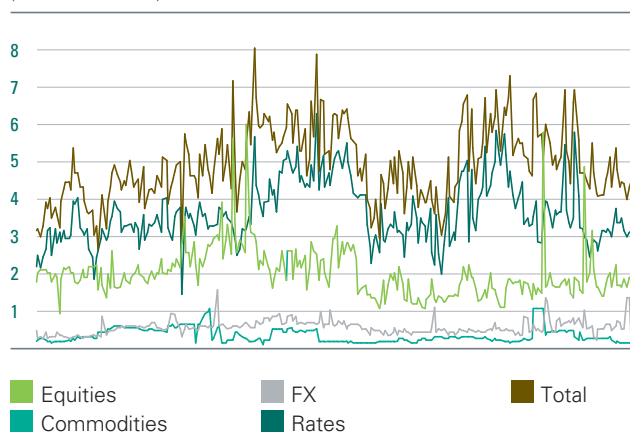
For internal purposes, ABN AMRO manages market risk daily on a portfolio basis. The key indicators used are

Value-at-Risk (VaR) and a wide array of stress tests. VaR is a statistical measure that estimates potential losses and is defined as the predicted 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. The VaR model is based on historical simulation and assumes a one-day holding period and at a 99% confidence level. In addition to VaR and stress tests, ABN AMRO uses indicators that are characteristic for the specific portfolio or risk factor. Counterparty credit exposure limits are set as part of the overall credit risk limits and measured for each specific counterparty.

The VaR models of FBN and ABN AMRO Bank are not yet fully aligned. Therefore, the diversification effects across the FBN and ABN AMRO Bank portfolios cannot properly be taken into account. ABN AMRO takes the approach of calculating the VaR for FBN and ABN AMRO Bank separately. The VaR models are expected to be aligned in the course of 2011.

VaR per risk factor 2010

(in millions of euros)



Value-at-Risk including all risk factors

(in millions of euros)	2010	2009 ¹⁾
VaR as of 31 December	4.4	3.1
Highest VaR	8.1	7.2
Lowest VaR	2.6	1.8
Average VaR	4.9	3.3

¹⁾ The VaR for 2009 is based on the six-month period ended 31 December 2009.

The increase in the average VaR over 2010 mainly results from increasing interest rate risk, and to a lesser extent currency and commodity risk, while equity risk was fairly constant compared with 2009. The increase in VaR reflects the rebuilding of the bank's presence in the financial markets.

Back testing

VaR forecasts are compared with calculated market-to-market changes using daily market-data variations. The number of outliers is benchmarked with statistical metrics to determine the reliability of the VaR model.

Back testing measures on a one-year rolling window the number of losses exceeding the VaR prediction, given a confidence interval of 99%. This means that such losses should occur only once every 100 business days. In 2010, the number of outliers did not exceed the 1%, indicating that the VaR model works as required.

The limits framework

Market risk limits are strategic restrictions reflecting the risk tolerance of the bank, the nature of trading activities, and perceived trading and management skills. A limits framework was developed with two primary goals: first, to protect the bank's capital and earnings and second, to allow traders to take risks in support of client business. Limits prevent the accumulation of market risk beyond the bank's appetite and reflect the mandates of trading units.

The Managing Board sets overall VaR limits for each segment and delegates responsibility for managing the bank's market risk exposures within these limits to GRC for trading activities and to ALCO for non-trading treasury positions.

Stress and scenario testing

Stress and scenario tests are important risk-management tools that the bank uses as part of its internal risk management. Moreover, stress testing supplements other risk-management approaches and measures. It plays a particularly important role in providing forward-looking assessments of risk and in overcoming the limitations of models and historical data. Limits are set for stress and scenario tests. They are considered to be triggers to review exposures against risk appetite and to prompt management action.

Stress and scenario testing is designed to focus specifically on tail events, i.e. events outside the VaR confidence interval. ABN AMRO runs daily stress tests for large moves in single risk factors. In addition, the impact of extreme market events covering multiple risk factors is determined simultaneously. These extreme scenarios can either be historical or hypothetical. The hypothetical scenarios allow the bank to simulate new shocks of unforeseen magnitude. The various scenarios are assessed on a regular basis and, when appropriate, are updated and extended.

7.3.2.3 Operational risk

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 can be risk avoidance, reduction or transfer, or improving control.

One bank-wide framework for operational risk

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

A comprehensive risk-management organisation and operational risk policy have been implemented consistently bank-wide, at legal entity and business level. Global and local operational risk managers have been assigned to all bank-related businesses (including support functions) and relevant legal entities.

Management control is an integrated part of the framework, with all management teams through to the Managing Board assessing risks that could jeopardise their business objectives. This process is detailed in Management Control Statements.

Operational risk mitigation and control

The bank has a variety of instruments in place to control and mitigate operational risk. Risk assessments, loss-data

analysis and key risk-indicator movements are ways to control operational risks.

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

Management Control Statements

Centrally coordinated operational risk-mitigation techniques are a means of business continuity management, control management and insurance. Embedding operational risk practices throughout the organisation is accounted for in 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 and defines the actions necessary to remedy any significant failings or weaknesses in the internal risk-control process. The assessments of event risk and business risk are part of that process, in addition to information regarding the other types of risk.

Based on this risk assessment, management teams sign their Management Control Statements and formulate action plans (if necessary) to improve management and control. Management Control Statements produced at the end of each year attest to the functioning of the risk management and internal control system during the year. RM&S coordinates quarterly reporting on the follow-up to these action plans.

Business continuity management

Business continuity management (BCM) is a management process that identifies potential threats to an organisation and their eventual impact, if realised, on business operations. It provides a framework for building organisational resilience, enabling the bank to respond effectively to safeguard the interests of its stakeholders and to protect its reputation, brand and value-creating activities.

Risk transfer through insurance

ABN AMRO has corporate insurance programmes in place to mitigate losses of specific event risks and to transfer event risks to the external market. In line with industry practices, the bank purchases the following insurance policies from third-party insurers: combined bankers blanket bond, computer crime and professional liability insurance; directors' and officers' insurance.

Information security

For a financial services provider such as 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 has established a structured information security approach to ensure the confidentiality, integrity and availability of information.

The bank's policies and standards on information security define the organisational framework, management and staff responsibilities as well as 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. Businesses and support functions pursue the bank's information security policies on a "comply or explain" basis.

7.3.2.4 Liquidity risk

Liquidity risk is the risk that actual (and potential) payments or collateral posting obligations cannot be met when they are due. It has two components, described below.

Funding liquidity risk is the risk that expected and unexpected cash demands of deposit, policyholders and other contract holders cannot be met without incurring unacceptable losses or without endangering the business franchise.

Market liquidity risk is the risk that a firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. As such, it is related to market risk. Market liquidity risk is the sensitivity of the liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty of the timescale necessary to realise the liquidity value of the assets.

Liquidity risk organisation

Liquidity risk management entails retaining control of the management of funding resources while maintaining a portfolio of highly marketable assets that can be liquidated as a protection against any unforeseen interruption of cash flows.

The ALCO is responsible for liquidity risk management and hence decides on the governance structure with regard to liquidity risk, which includes policy-setting and liquidity risk procedures.

ALM/Treasury, which reports to both the Risk Management and Finance organisations, advises the ALCO on the necessary liquidity buffer, the funding strategy and the liquidity contingency plan. The department is also responsible for performing stress testing, monitoring liquidity flows and executing the funding strategy. The business lines are subject to liquidity incentives through, among other things, the funds transfer pricing framework.

Liquidity risk management

ABN AMRO takes a two-step approach to liquidity risk management: a going concern liquidity management approach and a contingency liquidity risk approach, both of which are discussed in the following paragraphs.

Going concern liquidity management

Going concern liquidity management entails the management of the day-to-day liquidity position within specified parameters to ensure all liabilities can be met on a timely basis. The most important metrics used within the bank are:

- ▶ **LtD ratio:** The loan-to-deposit ratio (LtD ratio) measures the relationship between the clients' loan book (loans and receivables - customers, net of impairments) and

deposits from clients (due to clients). This ratio includes all client-driven business but excludes exposures to governmental and financial institutions, and securities lending and repo transactions. The LtD ratio was 134.9% on 31 December 2010, up from 132.6%³⁾ on 31 December 2009. The increase in the ratio is caused by a larger decrease in deposits than in loans. The following table shows the development of the LtD ratio in 2010.

(in millions of euros)	31 December 2010	31 December 2009
Commercial loans (including fair value adjustment from hedge accounting) ¹⁾	74,042	79,748
Consumer loans	13,859	13,841
Residential mortgages (including fair value adjustment from hedge accounting)	163,341	162,691
Other loans	4,960	5,753
Total Loans	256,202	262,033
Due to customers		
Demand deposits	82,480	85,913
Savings deposits	69,763	67,966
Time and other deposits ²⁾	37,671	43,757
Total deposits	189,914	197,636
Loan-to-deposit ratio (LtD)	134.9%	132.6%

¹⁾ Excludes selected current accounts.

²⁾ Excludes deposits of Dutch State Treasury Agency (DSTA).

- ▶ **SF/NLA:** The stable funding over non-liquid assets ratio (SF/NLA) is an internally developed ratio. This ratio shows the extent to which core assets (non-liquid assets) are covered by core liabilities (stable funding). On 31 December 2010, the SF/NLA ratio was 104% compared with 102% on 31 December 2009. This improvement was mainly due to the insurance of new long-term funding, partly offset by the call of retained Residential Backed Mortgage Securitisations (RMBS);
- ▶ **Survival period:** This indicates whether the maturity calendar is squared under a going concern assumption, which means (i) funds attracted through clients remain stable and (ii) no new wholesale funding is assumed. The bank has further improved its survival period by adjusting the funding mix and the maturity profile of

the funding. The bank currently complies with the internally set appetite risk level.

To ensure sound liquidity management, these indicators need to be considered in combination with the funding diversification and the maturity profile.

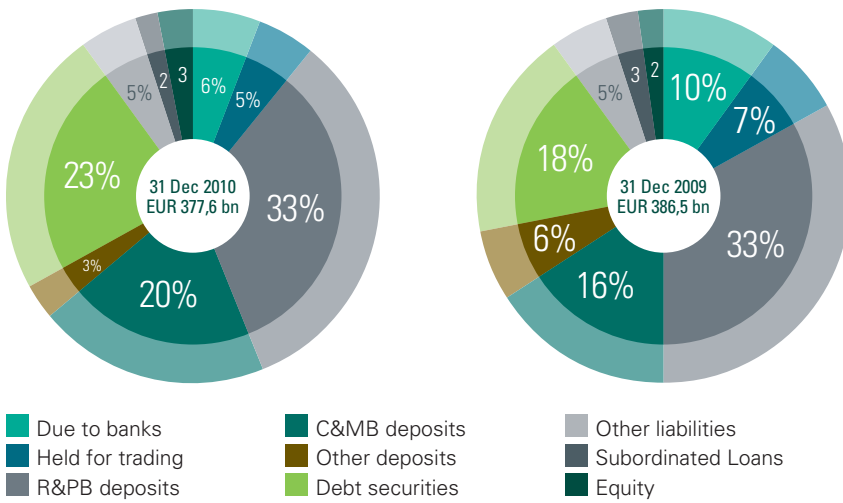
The bank benefits from core retail funding and reasonably diversified wholesale funding sources, as shown in the following graphs. The current funding strategy focuses on optimisation of the funding profile by diversification of currency and geography, and terming out of the maturity calendar. At this point, implementation of the issuance strategy is on track and the bank has demonstrated that it can access different types of funding sources in different markets. The funding profile improved over the course of

³⁾ The currently published LtD ratio for December 2009 deviates from the previously reported LtD ratio (which was 130%), because of methodology refinements made in the third quarter of 2010.

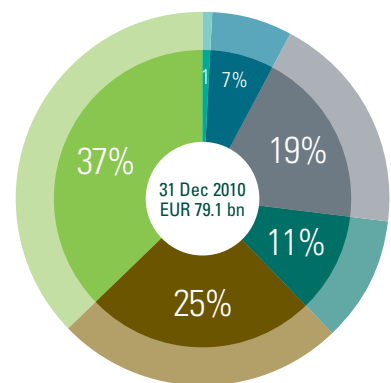
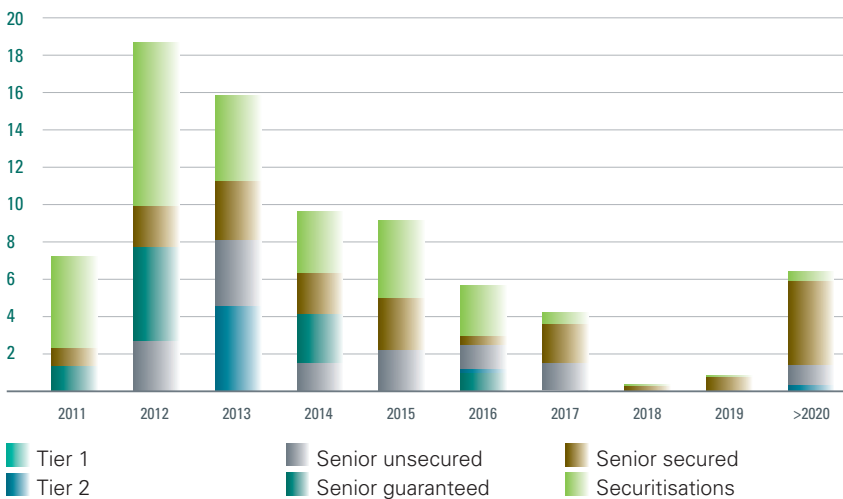
2010 as more long-term debt securities were issued than matured in 2010. Also, the one-year-long liquidity-providing tender of the European Central Bank, in which the bank participated in 2009 for EUR 13 billion, fully matured in 2010, leading to a reduction in Due to banks.

New funding instruments were added to the portfolio of funding sources in 2010 and are described in greater detail in the Funding section. Despite challenging markets, ABN AMRO was able to issue a large amount of long-term debt among a widespread investor base.

Liability composition at year-end 2010 and year-end 2009



Maturity calendar and total outstanding long-term funding at 31 December 2010
(in billions of euros)



Contingency liquidity risk management

The second step of the liquidity risk management approach is contingency liquidity risk management, which aims at ensuring that in the event of either a firm-specific or general market event, the bank is able to generate sufficient liquidity to withstand a short or long-term liquidity crisis. Contingency liquidity risk management includes the following tools:

- ▶ **Stress test:** A quantitative analysis of the liquidity impact of several (market- and company-specific) liquidity crises scenarios;
- ▶ **Regulatory liquidity requirement:** This is a minimum regulatory liquidity requirement that the bank must comply with at all times. It measures the one-month liquidity position in the scenario of severe and short stress as defined by DNB, which requires the one-month liquidity position to always exceed the minimum required regulatory level of zero. The bank comfortably met the DNB minimum requirement in 2010;
- ▶ **Liquidity buffer:** A liquidity buffer with sufficient collateral is retained as a safety cushion in the event of severe liquidity stress for, for example, participation in ECB tenders. The liquidity buffer portfolio mainly consists of retained RMBS, government bonds and cash. The liquidity buffer amounted to EUR 47.9 billion on 31 December 2010. The composition of the liquidity buffer is shown in the graph below. Further information on the government bond portfolio is provided in note 16 to the Annual Financial Statements;

- ▶ **Liquidity Contingency Plan (LCP):** The LCP comes into effect whenever the bank's liquidity position is threatened by exceptional internal or external circumstances that could lead to a liquidity crisis. The plan is designed to enable the bank to continue to manage its liquidity sources without unnecessarily jeopardising the business, while limiting excessive funding costs in severe market circumstances. The LCP defines several stages which describe the seriousness of liquidity threats. Based on the internal liquidity risk profile and external market developments the LCP stage is determined.

Basel III liquidity metrics

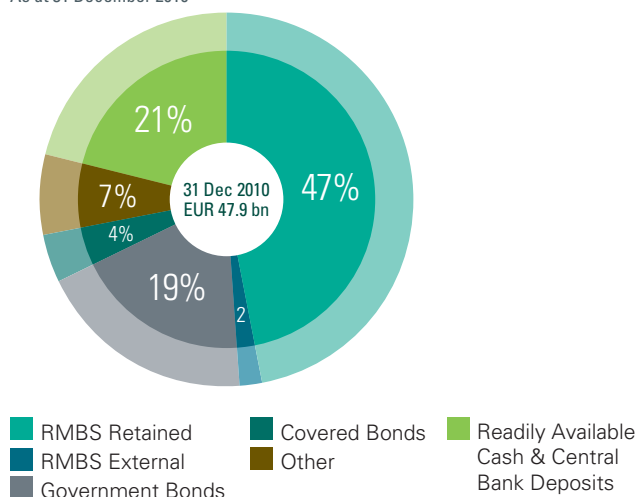
ABN AMRO supports the development of an enhanced liquidity risk management framework, as it will heighten attention for liquidity risk in the banking sector and will create comparable liquidity risk standards across the industry. The bank is monitoring the Basel III liquidity ratios based on current views of the expected regulation.

The objective of the liquidity coverage ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring having sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The concept of the LCR is in line with the current regulatory liquidity reporting required by DNB. DNB has announced that it will adjust its stress test in the regulatory liquidity in 2011 ahead of Basel III regulation. For instance, retained RMBS will be subject to a more severe haircut. ABN AMRO is expected to meet the DNB requirements.

The objective of the net stable funding ratio (NSFR) is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. Following the implementation of the funding strategy, which aims to extend the maturity profile and improve funding diversification, the bank foresees to meet the net stable funding ratio requirements.

Composition of the liquidity buffer

As at 31 December 2010



Maturity analysis of assets and liabilities

The following table shows an analysis of assets and liabilities analysed according to when they are to be recovered or settled. This is not consistent with how ABN AMRO views liquidity as the models used also take expected client behaviour and other factors into account:

(in millions of euros)				31 December 2010
	Less than twelve months	More than twelve months	No maturity	Total
Assets				
Cash and balances at central banks	906			906
Financial assets held for trading	24,300			24,300
Financial investments	3,607	16,469	121	20,197
Loans and receivables - banks	40,695	311	111	41,117
Loans and receivables - customers	46,098	225,774	3,883	275,755
Other assets	4,226	4,387	8,711	17,324
Total assets	119,832	246,940	12,826	379,599
Liabilities				
Financial liabilities held for trading	19,982			19,982
Due to banks	21,125	411		21,536
Due to customers	204,084	7,193		211,277
Issued debt	23,939	62,652		86,591
Subordinated liabilities		6,085	2,000	8,085
Other liabilities	8,712	7,128	4,176	20,016
Total liabilities	277,842	83,469	6,176	367,487
Total equity			12,112	12,112
Total liabilities and equity	277,842	83,469	18,288	379,599

(in millions of euros)				31 December 2009
	Less than twelve months	More than twelve months	No maturity	Total
Assets				
Cash and balances at central banks	4,368			4,368
Financial assets held for trading	20,342			20,342
Financial investments	2,975	17,214	574	20,763
Loans and receivables - banks	26,094	1,200	17,768	45,062
Loans and receivables - customers	68,836	206,517	5,376	280,729
Other assets	3,596	1,022	10,642	15,260
Total assets	124,786	225,953	35,784	386,524
Liabilities				
Financial liabilities held for trading	26,951			26,951
Due to banks	34,844	1,341	1,202	37,387
Due to customers	201,841	8,907		210,748
Issued debt	21,059	49,754	24	70,837
Subordinated liabilities	2,366	9,292	88	11,747
Other liabilities	8,171	4,021	7,706	19,899
Total liabilities	295,232	73,316	9,021	377,569
Total equity			8,955	8,955
Total liabilities and equity	295,232	73,316	17,976	386,524

The table on the next page provides an overview that categorises the ABN AMRO balance sheet into relevant maturity groupings based on the remaining contractual periods to repayment. This is not consistent with how ABN AMRO views liquidity as the models used also take expected client behaviour and other factors into account. Trading balances are recorded at fair value. ABN AMRO

believes that this best represents the cash flow that would have to be paid if these positions had to be closed out. Trading balances are shown within on demand which management believes most accurately reflects the short-term nature of trading activities. The contractual maturity of the instruments may however extend over significantly longer periods.

7.3.2.5 Banking book risk

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, FX 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. Changes in the interest rate environment have a different effect on the value and interest income of the financial assets in the banking book – representing all financial assets apart from those categorised as trading assets – than on the value and interest expense of the financial liabilities of the banking book, resulting in a change of the value and net interest income of the bank. Interest rate risk arises primarily from the fact that the repricing period of the assets typically exceeds the repricing period of the liabilities (the “interest maturity mismatch”).

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. The Funds Transfer Price (FTP) is the internal interest rate that a commercial business line either pays or receives from ALM/Treasury. The FTP is used to transfer interest rate risk and liquidity risk from the commercial business lines to ALM. The FTP offers the ALCO a strong steering mechanism to remain in control of these two risk factors in the banking book. Shortly after the Legal Merger, a new FTP Policy for the combined ABN AMRO was implemented. This new policy accounts for the latest requirements in terms of interest rate risk and liquidity risk management.

ALM risk measurement, monitoring and reporting

Interest rate risk

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

- ▶ net interest income (NII);
- ▶ NII-at-Risk;
- ▶ duration of equity;
- ▶ Value-at-Risk (VaR).

	31 December 2010	31 December 2009 ¹⁾
NII-at-risk	2.2%	2.1%
Duration of equity (in years)	4.2	4.5
VaR banking book	673	574

¹⁾ Unaudited

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. There is 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 yield curve is more important than the level of the curve. ABN AMRO monitors the development of the NII under different yield curve scenarios. Due to the mismatch position 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.

NII-at-Risk

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 during the next 12 months, comparing the NII calculated using a constant yield curve

with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. The net interest income is negatively impacted when rates rise. During 2010 the NII-at-Risk slightly increased in line with a shift from floating-rate contracts to fixed-rate contracts in client portfolios.

Duration of equity

Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years. The duration is actively managed; during 2010, it decreased in line with yield curve development and forecasts.

Value-at-Risk

Value-at-Risk (VaR) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum 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. VaR increased as the result of active management to profit from the inverse shape of the yield curve.

Focus in 2011: Integration

The abovementioned methodology and numbers are calculated for all positions. Assumptions have been harmonised in these calculations, resulting in integral calculations for NII-at-Risk, Duration and VaR. ABN AMRO still uses two different calculation engines and has opted for a target system for interest rate risk management. Client migrations to target systems provide the interest rate system with FBN position data. From an interest rate risk management perspective, the most important migration in 2010 was of the retail savings portfolio. Replicating portfolios are used to model interest rate risk in savings portfolios. As a result of the migration, the related replicating portfolio methodology has been harmonised. Methods and systems will continue to be integrated in the period ahead.

VaR is a metric which is less suitable for a banking book in comparison with a trading environment. ABN AMRO

intends to develop additional measures for interest rate risk management in 2011.

Hedging

Derivatives are used to offset identified exposures to interest rate risk of the banking book. These transactions were mainly in interest rate swaps. For asset and liability management purposes, assets and liabilities in a similar interest rate index cluster in a particular month are first considered as a natural offset for economic hedging. A swap transaction may be entered into to manage the remaining interest income sensitivity. The notional amount of a swap is designated to hedge the re-pricing cash flow exposure of a designated portion of current and forecasted assets and current and forecasted liabilities, respectively, in the clusters described above.

The swap transaction is designated for hedge-accounting purposes as a hedge of a gross position of a cluster of projected assets or a cluster of projected liabilities. As a result, the swap will only hedge an identified portion of a cluster of projected assets or projected liabilities. Also, the swap will only hedge the applicable floating swap-rate portion of the interest re-pricing and re-investment risk of the cluster. More information is provided in note 40 of the Annual Financial Statements.

Currency risk

Currency risk is the translation risk that stems from a change in the exchange rate of that currency to the functional currency of ABN AMRO (euros). No foreign translation risk is taken in the banking book position, as ABN AMRO applies the following principles:

- ▶ Loans and bond investments in currencies other than the functional currency of ABN AMRO must be hedged by a funding in the corresponding currency;
- ▶ Participating interests in currencies other than the functional currency of ABN AMRO must be hedged by a funding in the corresponding currency. ABN AMRO's policy is to hedge via short-term funding in the corresponding currency where possible. Net investment-hedge accounting is applied;
- ▶ The results of branches and subsidiaries in currencies other than the functional currency of ABN AMRO's activities are on selective positions hedged on a regular basis (monthly or quarterly).

Exceptions to this general rule must be approved by the ALCO. In 2010, there were exceptions for very small positions on currencies.

Pension liability risk

Pension liability risk is the risk that the bank must provide additional funds to its employee pension fund 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. Most participants have accrued rights under defined benefit plans within these schemes. ABN AMRO's pension risk is the risk of a shortfall in the coverage of these pension obligations in relation to the participants' rights under these defined benefit plans. Additional contributions to cover its pension obligations to current and former employees may be required from time to time. ABN AMRO's defined benefit pension obligations are calculated at the discounted present value of these accrued pension rights.

Parameters that have an impact on the obligations are interest rate levels, investment risks and increases in life expectancy, which are outside of ABN AMRO's control

7.3.2.6 Business risk

Business risk is the risk of lower than expected pre-tax earnings, through changes in volumes, margins and costs as a result of reputation risks, strategic risks and sensitivity to external business risk drivers. This includes changes in the competitive and economic environment and political risks. Sensitivity to business risk drivers can be mitigated by effective management practices. In one of its simplest forms, business risk is regarded as the risk that, due to changes in margins and volumes, earnings will fall below the fixed cost base. Business risk is managed throughout the organisation. The higher the variable part of the total costs, the better the ability to continue making profit in the event of falling revenues.

7.3.2.7 Transversal risk types

The risk types that are recognised as overarching or potentially covered in more than one other risk type have been clustered as "transversal" risk types. Transversal risks are risks that can be part of, or can have direct impact on, any risk type or collection of risk types in

the risk taxonomy. Examples of transversal risk types are: macro, political, model, transition, reputation, remuneration, legal, HR and financial-reporting risk.

Macro risk

Macro risk results from macroeconomic imbalances that may lead to shocks, which have damaging effects on specific financial markets or the macroeconomic cycle and consequently on the bank's position.

Political risk

Political risk refers to changes in the political dynamics in the Netherlands or abroad that may affect the bank's business, but also include international tensions that may affect how economies perform.

Both macro and political risk are monitored by Group Economics.

Transition risk

Transition risk is the risk resulting from activities related to the merger of FBN and ABN AMRO. More information is provided in the Separation & Integration section.

Reputation risk

Reputation risk is the risk of negative effects on current or prospective operating income caused by the negative opinion of any stakeholder, irrespective of whether this is based on facts or merely perception. One type of reputation risk is sustainability risk, through which practices of the bank, its business relations or service providers damage the sustainability profile of the bank as perceived by its transactional stakeholders. Various new cross-business sector policies were formulated relating to areas, such as the defence industry, agriculture, energy and extractive industries.

Legal risk

Any risk of financial loss or reputation effect that is the result of:

- ▶ uncertainty in the applicability and interpretation of contracts, laws and regulations;
- ▶ the failure (or assumed failure) to comply with statutory, legal or regulatory obligations, jurisprudence, contracts or best practices; or
- ▶ uncertainty about the outcome of legal actions against or initiated by the bank (including judicial proceedings).

As part of the second line of defence, Legal supports all businesses in adequately discharging their responsibilities as the first line of defence with regard to legal risks, while keeping sufficient oversight of the group's legal risks and preserving the reputation of the bank as a whole. The Legal department's main objective is to be the trusted provider of legal services. Legal is a member of the various business risk committees and is also represented in the Group Risk Committee.

The Managing Board has adopted a legal mandate that sets the framework for managing and monitoring legal risks. The legal mandate provides specific guidance as to when the involvement of the legal department is required in order to preserve the bank's reputation and to warrant consistency of all legal policies and guidelines.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or reputation harm that ABN AMRO may suffer as a result of its failure to comply with laws and regulations, self-regulatory organisation standards, codes of conduct or generally accepted market standards applicable to its activities as a provider of financial services. Establishing and maintaining a permanent, effective and independent compliance function assists senior management in identifying, assessing and effectively managing the bank's compliance risk, including the associated reputation risk. It is one of the many ways in which the bank expresses its resolve to uphold proper standards and to comply with generally accepted principles of governance applicable to financial institutions.

Model risk

Model risk represents the loss resulting from the weaknesses arising from the use of models. Model risk is managed and mitigated through a rigorous process of model (creation) initiation, model development, model validation, use, performance and back testing and use control again. In addition, manual controls are in place to validate critical outputs.

Remuneration risk

Management of remuneration risk is explained in the Corporate governance section.

Financial reporting risk

Financial reporting risk is the risk of a lack of fair presentation in the financial statements as a result of material misstatements in one or more of the amounts stated in the financial statements or in disclosures. A material misstatement is defined as an omission or misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.

The Group's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, as adopted by the European Union.

7.4 Regulatory developments ^{*)}

7.4.1 Basel II

Basel II Pillar 1

Until the Legal Merger, FBN reported under the Basel II Advanced-IRB regime, 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 portfolio and Value-at-Risk (VaR) for market risk.

Prior to 1 April 2010, ABN AMRO reported its regulatory capital under Basel I. As of 1 April 2010, ABN AMRO also reports under Basel II, using the A-IRB for credit risk, the standardised approach for operational risk and the standardised approach for market risk.

Consolidated capital ratios for the combined bank are not available for the period prior to 1 April 2010.

Prior to the Legal Merger, both banks reported their capital positions to the Dutch central bank on a separate basis. Following the Legal Merger the calculation of risk-weighted assets and capital figures has been harmonised.

Since the Legal Merger, the bank is in the process of harmonising the application of Basel II policies, methodologies and models with respect to regulatory

^{*)} Unaudited

capital and risk weighted assets calculation for the merged bank. ABN AMRO is pursuing roll-out of the advanced Basel II approach for credit, operational and market risk. To achieve full advanced Basel II compliance, a roll-out plan has been formulated to migrate several credit risk portfolios, currently reported based on the standardised approach, to Internal Rating Based Approach and implement the Internal Model Method and the Advanced Measurement Approach for market risk and operational risk respectively and to harmonise models.

Basel II 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. The ICAAP also defines the strategy to maintain adequate capital levels. The ICAAP is based on internal models for economic capital. It is supplemented with add-ons based on the 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. A stress-testing framework is in place to execute integrated bank-wide stress tests. The result of the ICAAP is discussed in the Group Risk Committee. The full ICAAP is performed annually.

Economic capital^{*)}

Economic capital is an important risk measure defined as the amount of capital required to guarantee economic solvency. Economic capital is compared to the Available Financial Resources of the bank, to monitor if sufficient capital is available to meet the internal capital requirements. Economic capital requirements are monitored monthly and reported in quarterly Capital Adequacy Assessment Reports and yearly ICAAP statement.

Economic capital is also used as a parameter for risk aggregation, capital allocation and performance and limit steering. Economic capital figures are also used at transactional level in all pricing tools. These tools act as a decision making mechanism for assessing the attractiveness of a new transaction, within the given

portfolio of ABN AMRO. The economic capital metric covers all material risks described in the ABN AMRO risk taxonomy.

Economic capital is currently reviewed and reported on a quarterly basis. This economic capital was composed of economic capital figures of former FBN, economic capital figures of ABN AMRO, 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.

In 2011 ABN AMRO intends to calculate economic capital based on fully integrated economic capital models.

Basel II Pillar 3^{*)}

ABN AMRO will publish the Pillar 3 report together with the Annual Report 2010. The Pillar 3 report includes additional risk management disclosures.

7.4.2 Basel III^{*)}

CRD II^{*)}

The Capital Requirements Directive (CRD) came into force on 1 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 the capital position is an increase in risk weighted assets of less than EUR 100 million mainly due to the technical changes to the credit risk requirement. The impact on the capital ratios is insignificant.

^{*)} Unaudited

CRD III^{*)}

The second modifying directive, CRD III, was adopted by the European Union on 14 December 2010 and will enter into force on 31 December 2011, except for the extension of the Basel I floor (effective 1 January 2010), extension of the Downturn-LGD floor (effective 31 December 2010) and the remuneration rules (effective 1 January 2011). The impact on ABN AMRO's capital position is expected to be limited.

Basel III/CRD IV/FSB-G20^{*)}

In December 2009, the Basel Committee made reform proposals to the Basel framework for capital and funding standards (Basel III). ABN AMRO participated in the Quantitative Impact Study organised by the Basel Committee in the first half of 2010. The final Basel III requirements were published in December 2010. The final changes are to be introduced into legislation in 2011 in the third modifying directive, CRD IV. Their implementation is expected to be phased in over a period of at least five years as of the end of 2012.

ABN AMRO carefully studies developments in order to be able to prepare for and determine the impact of the implementation of the new Basel III guidelines. Based on current knowledge of the Basel III capital regulations and the bank's current capital ratios, capital structure and leverage, ABN AMRO believes it is in a good position to comply with the new capital regulations within the set timeframe.

The proposed minimum requirements do not include possible surcharges for systemically important financial institutions.

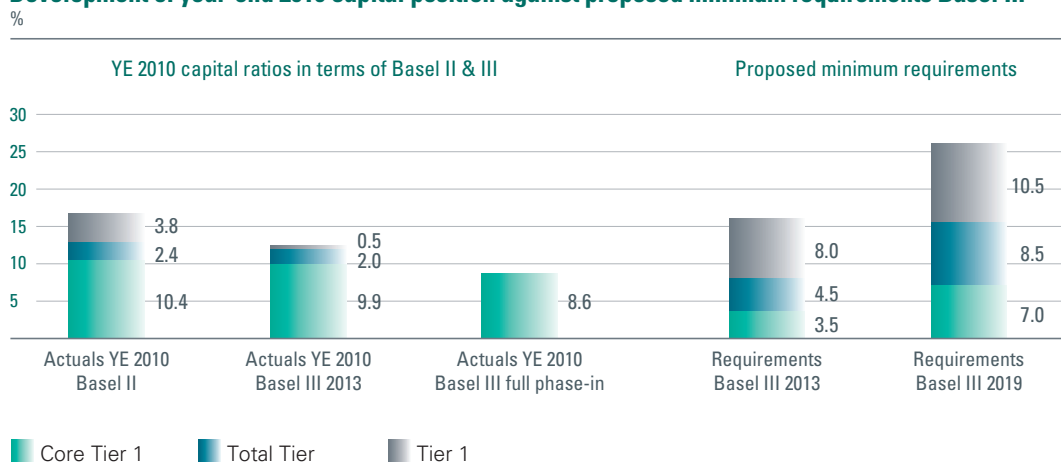
ABN AMRO expects to be relatively well positioned with respect to the introduction of Basel III requirements. The current core Tier 1 ratio equals 10.4% which exceeds the new minimum common equity requirement of 7% under Basel III. Applying the already known requirements in full to the capital base and capital requirements, the common equity ratio is expected to amount to 8.6%.

The new capital deductions and prudential filters expected to be gradually applied as from 2013, is expected to have a total negative impact of around EUR 1.0 billion resulting in a 0.8% lower Tier 1 ratio, mainly due to the effect of deduction of the defined benefit pension fund asset from capital. Loss of eligibility of Tier 1 capital instruments, including preference shares, results in a decrease in capital of EUR 1.2 billion, which translates into a 1.0% lower Tier 1 ratio.

Under the new rules, the risk weighted assets are expected to increase resulting in a 1.0% lower Tier 1 ratio, mainly due to an increase in the capital requirement for the treatment of mark-to-market counterparty risk losses (CVA capital charge).

The full impact of Basel III depends on the release of the final rules and their interpretation into European and national laws. Several uncertainties still exist regarding

Development of year-end 2010 capital position against proposed minimum requirements Basel III



^{*)} Unaudited

the treatment of the counter-cyclical buffer and the requirements for systemically important financial institutions within the Netherlands. These requirements have therefore not been taken into account. ABN AMRO expects to be classified as a significantly important financial institution.

Furthermore, the analysis does not take into account the changes in equity due to retained earnings, possible future dividends paid, the impact of business growth or the impact of mitigating actions. Basel III sets a minimum requirement for a leverage ratio of 3%. This minimum is applicable as of 2018. The current leverage ratio equals 3.3%. ABN AMRO strives to manage its balance sheet in line with this requirement. Planning and monitoring of the expected Basel III capital ratios and leverage ratio is part of the capital management process.

7.5 Management Control Statement ^{*)}

Under best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code, the ABN AMRO Managing Board is requested to describe main risks related to the strategy of ABN AMRO, to describe internal risk management and internal control for the main risks during the year, to describe any major failings (if any) and to substantiate the operation of internal risk management and internal control (related to financial reporting risks) during the year under review, and to state its adequacy and effectiveness.

ABN AMRO's internal risk management and internal control is a process, effected by the Managing Board, management, and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (i) effectiveness and efficiency of operations; (ii) reliability of reporting; (iii) compliance with laws and regulations and (iv) high-level goals of ABN AMRO. It has been adjusted and improved during the year under review to reflect changes resulting from transition of the ABN AMRO businesses.

Different parts of section 7, Risk management elaborate on ABN AMRO's identified risks, such as credit risk, market risk, operational risk, liquidity risk, business risk and other risks.

Based on the process regarding internal control over financial reporting (see section 7.3.2.7 Financial reporting risk), the Managing Board of ABN AMRO Group N.V. makes the following statement regarding the group's financial reporting risks:

- ▶ ABN AMRO's risk management and controls systems provide reasonable assurance that ABN AMRO's financial reporting does not contain any material inaccuracies;
- ▶ ABN AMRO's risk management and controls systems functioned properly in 2010;
- ▶ There are no indications to suggest that ABN AMRO's risk management and controls systems will not continue to function properly in 2011.

Based on assessments of ABN AMRO's internal risk management and internal control regarding all types of risks (see section 7.3.2), the Managing Board of ABN AMRO Group N.V. makes the following statement with regard to these risks in relation to ABN AMRO's business objectives for the short term:

- ▶ ABN AMRO has risk management and internal controls are in place to provide reasonable assurance that ABN AMRO will not be hindered in achieving its business objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen.
- ▶ Based on risk management and internal controls in place and barring unforeseen adverse external conditions, the Managing Board is of the opinion that there are within ABN AMRO no material elements that could significantly endanger the realisation of its business objectives.
- ▶ In relation to risk management and internal control, the Managing Board will put focus on the following themes:
 - ▶ Funding of ABN AMRO may be hindered by market circumstances. The ability of ABN AMRO to fund its operations is strongly dependent on market factors and market development due to the current ABN AMRO funding portfolio. Although in 2010 a substantial lengthening of the maturity profile was

^{*)} Unaudited

realised, the risk exists that market circumstances may hinder an optimal funding of ABN AMRO and may negatively influence the risk profile and income statement of the bank.

- ▶ Market pressure and changes in regulations may cause increased volatile results. ABN AMRO may encounter increased volatile results as a consequence of market circumstances. Business profits can be highly impacted by decreasing margins, shifting of the retail distribution landscape and new regulatory requirements.

The evaluation of the adequacy of internal risk management and internal control has been discussed with the Supervisory Board and its Audit Committee.

Due to inherent limitations (human error, poor judgement in decision-making, control processes being deliberately circumvented by employees and others, management overriding controls, and the occurrence of unforeseeable circumstances), ABN AMRO's internal risk management and internal control do not provide certainty on the realisation of business objectives, and cannot at all times prevent misstatements, inaccuracies, fraud and non-compliance with rules and regulations.

capital management 8

Key achievements in 2010

- ▶ The integrated bank is adequately capitalised
- ▶ Successful capital management measures strengthened core Tier 1 capital to 10.4%
- ▶ Robust integrated and harmonised capital management framework and procedures now in place

8.1 Capital management framework

The primary objective of the capital management framework is to ensure that capital adequacy targets are met at all times and, as a result, sufficient capital is available to support the bank's strategy. Another key objective of the capital management framework is to optimise the usage of available financial resources.

The capital management framework comprises a governance scheme and a set of policies, procedures and methodologies that are implemented to support the strategy and thus the long-term viability of the organisation.

The capital management framework also comprises a capital allocation mechanism. Capital allocation is based on the risk-adjusted performance measures calibrated to achieve a performance and risk profile aligned with the bank's risk appetite and its long-term strategic objectives.

ABN AMRO regularly assesses its capital position against its capital adequacy targets. This assessment incorporates market and investors' expectations along with the regulatory requirements and developments as proposed

or implemented by the Basel Committee on Banking Supervision, the European Commission, the local regulatory authorities and internally set (economic) capital expectations and requirements. The capital robustness is extensively tested using both macroeconomic and company-specific stress scenarios.

The capital structure consists mainly of highly loss absorbing capital to cover unexpected losses, while the subordination in specific capital elements provides further protection for the interests of senior unsecured note holders. The target capital structure is set taking both qualitative and quantitative criteria into account as well as forward-looking regulatory and market developments.

Furthermore, ABN AMRO uses credit risk mitigation techniques to manage capital by transferring credit exposure on own originated assets in the form of true sale securitisations, synthetic securitisations and credit default swaps (CDS).

8.2 Capital position

Transition year

Several capital actions and measures were taken in 2010. The Legal Demerger and the EC Remedy were completed on 1 April, after which the legal merger was finalised on 1 July 2010. As a result, the combined ABN AMRO has had access to capital markets since the third quarter of 2010. In the second half of the year, the bank focused on further harmonising and integrating the Basel II frameworks and restructuring the capital instruments base of the two former individual banks.

Capital adequacy

At year-end 2010, the core Tier 1 and Tier 1 ratios amounted to 10.4% and 12.8% respectively and the total capital adequacy ratio amounted to 16.6%. These capital ratios are above the regulatory minimum requirements.

The following table provides an overview of the capital development:

Regulatory capital and RWAs of ABN AMRO Group N.V.

(in millions of euros)	31 December 2010	Pro forma 31 December 2009
Total equity (IFRS)	12,112	8,955
Participations in financial institutions	-301	-295
Other regulatory adjustments	273	662
Core Tier 1 capital	12,084	9,322
(Non-) innovative hybrid capital instruments	2,750	4,848
Tier 1 capital	14,834	14,170
Subordinated liabilities Tier 2 (UT2)	173	845
Subordinated liabilities Tier 2 (LT2)	4,747	5,036
Participations in financial institutions	-301	-295
Other regulatory adjustments	-117	-43
Subtotal regulatory capital	19,336	19,713
Credit risk (RWA)	99,331	n/a
Operational risk (RWA)	14,461	n/a
Market risk (RWA)	2,290	n/a
Insurance risk (RWA)	246	n/a
Total Basel II Risk weighted assets	116,328	n/a
Capital ratios		
Core Tier 1 ratio	10.4%	n/a
Tier 1 ratio	12.8%	n/a
Total capital ratio	16.6%	n/a

The table above contains the pro forma 2009 Basel II capital figures. As of 1 April 2010, ABN AMRO reports under the Basel II Advanced-IRB for credit risk for a selection of portfolios, the standardised approach for operational risk and the standardised approach for market risk. A Basel I floor is still applicable but not restrictive. Consolidated capital ratios for the combined bank are not available for the period prior to 1 April 2010. Therefore, the comparative figures are based on the best available figures at the time. The harmonisation of accounting policies and classifications are not included in the 2009 capital figures. The pro forma 2009 capital figures have not been subject to an audit or review.

8.3 Main changes in capital position

8.3.1 Tier 1 capital

Eligibility of converted MCN

An amount of EUR 833 million of MCN which was not eligible as regulatory capital at year-end 2009 became eligible as Tier 1 capital at the time of the Legal Demerger. Both the eligibility of the EUR 833 million and the accrued coupons of EUR 103 million contributed to the increase in Tier 1 capital in the first quarter of 2010.

A total nominal amount of EUR 2.6 billion of Mandatory Convertible Notes (MCN) were issued in 2009 to the Dutch State. On 1 April 2010 EUR 2.6 billion of MCN and EUR 103 million in accrued coupons converted into common equity, which improved the quality of Tier 1 capital.

Recapitalisation by the Dutch State

The final steps of the Dutch State recapitalisation measures, announced in November 2009, were completed in 2010 with the contribution of the final tranche of EUR 490 million of capital by the Dutch State as a non-stipulated share premium contribution.

Legal Merger

On 1 July 2010, the Group assigned EUR 210 million of non-cumulative preference shares in its share capital to ABN AMRO Preferred Investments B.V. (previously called Fortis FBN(H) Preferred Investments B.V.) in exchange for non-cumulative preference shares A in the share capital of FBN. The effect hereof on core Tier 1 capital was neutral.

Call of ABN AMRO Capital Finance (ACCF) Securities

As of 1 July 2010 EUR 87.5 million of outstanding ACCF (previously called Fortis Capital Company or FCC) preferred securities still outstanding were reclassified from Tier 1 capital to Tier 2 capital. These securities were redeemed in September 2010.

Conversion of Mandatory Convertible Securities

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.

Net result

The net result over 2010 resulted in a negative impact of EUR 414 million on core Tier 1 capital.

This includes the results and capital impacts of incidental items such as the completion of the EC Remedy (loss amounting to EUR 812 million), a restructuring provision of EUR 378 million, and integration and separation costs of EUR 770 million. It also includes the net result of EUR 130 million on the buyback of upper Tier 2 notes of September 2010.

8.3.2 Tier 2 capital

Upper Tier 2 notes

In September 2010 ABN AMRO bought back GBP 600 million of the GBP 750 million perpetual subordinated upper Tier 2 notes. The buyback and unwind of the interest rate hedge resulted in a pre-tax profit of EUR 175 million, which resulted in a EUR 575 million decrease of Tier 2 capital and an increase of EUR 130 million of core Tier 1 capital.

European Commission

On 19 August 2010 the European Commission (EC) announced that it prohibited ABN AMRO from (i) paying discretionary coupons on hybrid Tier 1 and Tier 2 instruments unless there is a legal obligation to do so and (ii) exercising early calls on these instruments, similar to other financial institutions involved in state aid proceedings. This ban is in force until 13 March 2013. The EC is expected to finalise the state aid procedure investigation, possibly by the time this Annual Report goes to press.

On 14 May 2010, the EC denied FBN the early redemption of its EUR 500 million of lower Tier 2 subordinated Floating Rate Notes due in 2015 with call date 22 June 2010. This instrument is currently subject to the imposed call restrictions.

8.3.3 RWA

EC Remedy

The EC Remedy resulted in a sale and transfer of EUR 6.3 billion of credit risk-weighted assets. As a result of the Credit Umbrella, RWA had to be recognised for the financial guarantee. This amounted to EUR 2.4 billion RWA at the end of June 2010, and declined to EUR 1.8 billion of RWA at the end of December 2010. The relatively low RWA is a consequence of the deduction of the Credit Umbrella related liability.

Termination of Capital Relief Instrument

The Capital Relief Instrument (CRI) under which the Dutch State assumed credit risk on a EUR 34.5 billion high-quality Dutch residential mortgage portfolio was terminated on 31 October 2010. The CRI was entered into in order to reduce the bank's risk-weighted assets under Basel I in July 2009 as a preparatory measure for the Legal Separation. The CRI was no longer cost-efficient under Basel II.

8.4 Regulatory reporting

An overview of regulatory reporting during 2010 and the impact of regulatory developments on capital is provided in section 7.4, Regulatory Developments.

8.5 Further information on dividend policy, share capital and capital instruments

Share capital

The authorised share capital of ABN AMRO Group N.V. remained unchanged during the year and amounts to EUR 4.0 billion, divided into 3,750 million ordinary shares of EUR 1 each, 240 million class A non-cumulative preference shares of EUR 1 each, 100 million ordinary class B shares of EUR 0.01 each and 900 million of class B preference shares of EUR 0.01 each. The Legal Merger on 1 July 2010 of ABN AMRO Bank N.V. (the acquiring company) and FBN (the disappearing company) did not affect the share capital.

The issued and outstanding share capital is EUR 1,015 million divided into 940 million ordinary shares of EUR 1 each and 75 million class A non-cumulative preference shares of EUR 1 each.

The Dutch State holds all issued ordinary shares and ABN AMRO Preferred Investments B.V. holds all class A non-cumulative preference shares. The Dutch State controls this entity with 70% of the votes via shares with priority rights. The Dutch State controls 97.8% of the combined voting power in ABN AMRO.

ABN AMRO Preferred Investments

In 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 FBN.

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. The preferred dividend on the class A non-cumulative preference shares is 5.85% until January 2013.

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.

As soon as ordinary dividends are declared, dividend reserves attached to the EUR 210 million preference shares will be released.

Dividend policy

In 2011, the General Meeting of Shareholders approved a dividend policy that targets a dividend payout of 40% of the reported annual profit. This is subject to finalisation of the State aid investigation procedure of the European Commission.

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. Further information is provided in note 30 to the Annual Financial Statements.

The last annual coupon was paid on 10 March 2010.

Tier 2 capital instruments

ABN AMRO has the following Tier 2 capital instruments outstanding:

(in millions)	Maturity date	Currency	Nominal amount
GBP 150 million (originally BP 750 million) callable Feb 2016	Perpetual	GBP	150
USD 1,000 million callable Apr 2013	17 Jan 2017	USD	1,000
EUR 1,000 million callable Jun 2013	14 Sep 2016	EUR	1,000
EUR 500 million callable May 2013	31 May 2018	EUR	500
EUR 499 million callable Jun 2013	22 Jun 2015	EUR	499
EUR 1,650 million callable Apr 2013	16 Oct 2017	EUR	1,650
Various smaller instruments	2011-2020	EUR	334
Various smaller instruments	26 Oct 2015	USD	136

funding 9

Key achievements in 2010

- ▶ ABN AMRO successfully maintained access to money and capital markets throughout a turbulent 2010, amid legal restructuring of the bank and uncertain market circumstances
- ▶ Debt instruments have been termed out on the basis of the 2010 funding plan
- ▶ Funding was further diversified
- ▶ The one-year ECB tender was redeemed and refinanced, as was all government-guaranteed commercial paper

9.1 Funding strategy

The funding strategy is designed to strengthen the bank's funding profile by extending maturities and diversification (more information is provided in the Risk section) and is based on the following principles:

- ▶ Improve the long-term funding position and liquidity profile by simultaneously decreasing dependency on short-term funding (repair legacy issues in funding);
- ▶ Remain active in strategic issuance in core funding markets in Europe, the United States and the Asia-Pacific region;
- ▶ Establish strong relationships with investor base and strengthen investor base through active marketing and issuance;
- ▶ Be ready to enter capital markets at any time;
- ▶ Manage and control the maturity profile and corresponding debt issuance;
- ▶ Build and manage the credit curve and issuance levels;
- ▶ Be a regular issuer in the abovementioned geographical regions.

9.2 Available funding programmes for new issuances

Several programmes are in place to attract both long- and short-term funding. An important goal of the funding strategy is to diversify funding sources. To that end, the set of funding tools includes a broad set of funding programmes in different currencies, markets and maturities. Continuous assessment of this toolkit is performed to determine the optimal use of funding sources.

Unsecured short-term funding tools

Euro Commercial Paper

This EUR 25 billion funding programme for the issuance of Euro Commercial Paper (ECP) allows for unsecured issuances with maturities up to one year. In 2009 and 2010, this programme also allowed for the issuance of ECP under the Dutch State's EUR 200 billion Credit Guarantee Scheme, which ended on 31 December 2010. In 2010, no government guaranteed CP was issued. Prior to 31 December 2010, all outstanding guaranteed ECP matured.

French Certificats de Dépôt

This EUR 25 billion funding programme allows for the issuance of unsecured French Certificats de Dépôt (FCD) with maturities up to and including one year, targeting French institutional investors.

US Commercial Paper

To improve diversification of short-term funding sources, this USD 5 billion funding programme was set up to allow ABN AMRO Bank to attract US dollars from local investors

in the United States. It permits unsecured issuances with maturities up to 270 days from the date of issue. Issuance began in July 2010.

The total outstanding balances at year-end 2009 and year-end 2010, as well as the average maturity, are shown in the table below.

Programme (in billions of euros)	Size of programme	Outstanding balance		Average original maturity	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
Euro Commercial Paper	EUR 25				
- unguaranteed		EUR 7.6	EUR 4.8	135 days	113 days
- guaranteed			EUR 6.3	n/a	310 days
French Certificats de Dépôt	EUR 25	EUR 4.3	EUR 3.0	137 days	103 days
US Commercial Paper	USD 5	USD 4.9		129 days	n/a

Unsecured medium- to long-term funding tools

Medium-Term Notes

This programme allows for the issuance of capital securities and medium-term notes in several currencies such as EUR, JPY, CHF and AUD. Due to several transactions, the programme is key in the construction of the credit curve. At 31 December 2009, the amount outstanding in the EMTN programme was EUR 1.8 billion with maturity of 7.8 years. At 31 December 2010, a total of an average original EUR 11.6 billion was raised through this programme, with an average original maturity of 4.9 years.

USD MTN Programme (144a)

This USD 25 billion programme enables the bank to attract long-term senior/subordinated medium-term notes unsecured funding in the USD market and hence improved funding diversification. The programme became available in November 2010 and the first issuance was in January 2011, when USD 2 billion was raised in a successful benchmark-size transaction.

Government Guaranteed Bonds

In 2009, the bank publicly and privately issued notes under the Dutch State's EUR 200 billion Credit Guarantee Scheme. Issuance under this programme is not possible as from 2011, as was announced by the Dutch Ministry of Finance at the end of 2010. A total amount of EUR 9.0 billion of State guaranteed notes was outstanding at year-end 2010 (year-end 2009 total amount of EUR 9.3 billion). This balance will mature from 2011 to 2014.

Private Investor Programmes (PIP launch pad)

The PIP programmes allow ABN AMRO Bank to raise unsecured funding through the retail and private banking investor base and hence promotes diversification of funding sources. This programme was revised in 2010 and has allowed the bank to attract EUR 387 million of long-term funding.

Covered bond programme

The bank has had a covered bond programme available since 2005 to attract secured long-term funding. This programme contributes to the diversification of funding.

Covered bonds are secured by a pool of first-ranking Dutch residential mortgage loans originated by ABN AMRO or any of its subsidiaries in the Netherlands, where the underlying real estate is owner occupied.

Further information on the covered pool is provided at www.abnamro.com/ir under debt investors – covered bonds.

The ABN AMRO covered bond programme was registered with DNB on 14 August 2009. All outstanding issues under the programme are CRD compliant and are full Undertakings for Collective Investment in Transferable Securities Directives (UCITS) eligible and have AAA (or AAA-equivalent) ratings from Moody's, Standard & Poor's and Fitch Ratings.

On 31 December 2010, the total amount outstanding of the covered bond programme was EUR 16.7 billion, with an average original maturity of 9.6 years. At 31 December

2009, the total outstanding was EUR 12.4 billion, with an average original maturity of 8.8 years.

Residential Mortgage Backed Securitisations

Securitisation of mortgages has been a cornerstone of funding mortgage lending in the Netherlands. The public market for RMBS (Residential Mortgage Backed Securitisation) was at a standstill between 2007 and 2009, but picked up again in 2010.

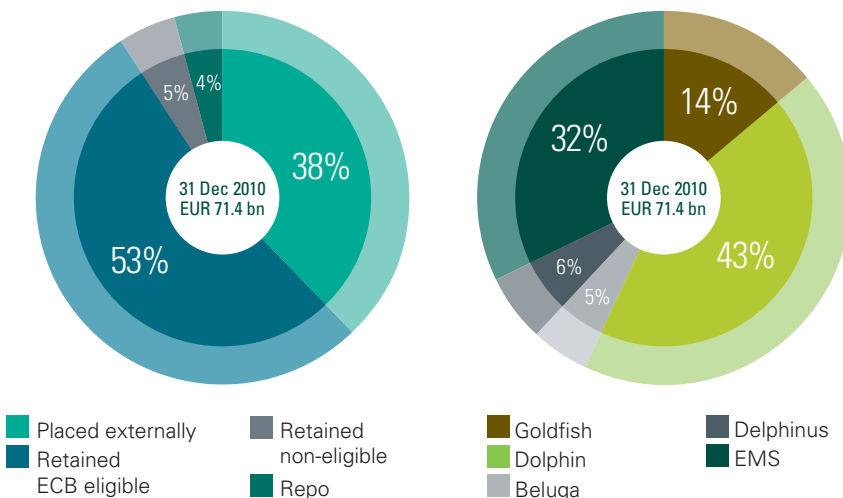
Securitisations have been an important source of funding for ABN AMRO. It allows ABN AMRO to convert its prime Dutch mortgage receivables into RMBS paper. The bank's outstanding residential mortgage portfolio remained relatively stable at EUR 161.3 billion, with new production offset by repayments and prepayments.

Further information on arrears and losses on the underlying mortgages of the RMBS notes is provided at <http://www.abnamro.com/ir>.

ABN AMRO placed EUR 11.2 billion of RMBS paper externally in 2010, with an average original maturity of 3.6 years. The externally placed notes provide long-term funding as well as transfer of risk. The retained notes can be used as collateral for various activities including derivatives activities including ECB tenders, long-term repo and for daily payment capacity.

On 31 December 2010, the total outstanding of RMBS notes backed by ABN AMRO originated mortgages was EUR 71.4 billion (EUR 85.8 billion in 2009) issued under different platforms: Goldfish Master Issuer B.V., Dolphin Master Issuer B.V., Beluga Master Issuer B.V., and various EMS and Delphinus stand-alone securitisation transactions. The decrease of EUR 14.4 billion in outstanding RMBS notes relates mainly to the decline in retained notes. At year-end 2010, EUR 44.6 billion (EUR 60.0 billion in 2009) of the RMBS notes was retained and EUR 26.8 billion (EUR 25.8 billion in 2009) was placed externally. The underlying mortgages of the called retained notes are partly re-used in the collateral pool for covered bonds.

Composition of the RMBS portfolio



ABN AMRO facilitated the calls of EUR 8.4 billion of externally placed notes that had reached their step-up date in 2010. Another EUR 4.5 billion of externally placed RMBS notes (all Delphinus transactions) will reach the scheduled step-up in 2011.

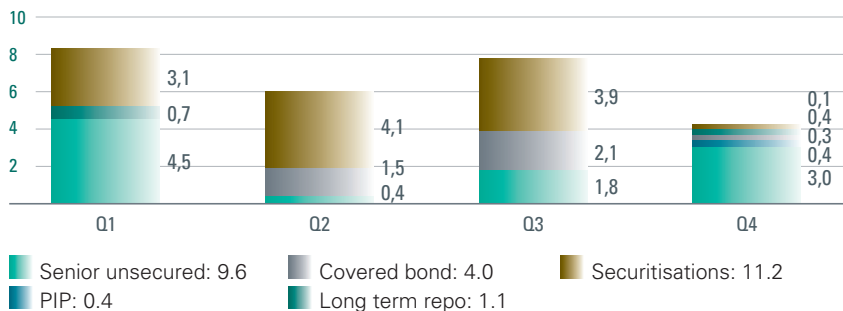
9.3 Funding issuance in 2010

A total of EUR 26.3 billion in long-term funding was attracted in 2010. As EUR 10.1 billion of long-term funding matured in 2010, the maturity profile improved significantly. Several long-term financing initiatives were undertaken in 2010 to refinance different types of maturing debt:

- ▶ EUR 8.0 billion of senior unsecured wholesale funding was raised in benchmark transactions with maturities between 2 and 7 years; several private placements raised a total of EUR 1.6 billion;
- ▶ EUR 11.2 billion of RMBS were sold externally with maturities between 1 and 6 years;
- ▶ EUR 3 billion of covered bonds were issued in benchmark transactions with a 10-12 year maturity; Several private placements also raised a total of EUR 1.0 billion;
- ▶ EUR 1.1 billion of long-term repo with a maturity of 2-4 years;
- ▶ EUR 0.4 billion was raised through the PIP programme.

Long-term funding raised in 2010

(in billions of euros)



The first weeks of 2011 have been successful in terms of raising long-term funding. About EUR 6 billion was attracted mainly by benchmark size covered bond and medium-term note issues and external placements of RMBS. This includes a first issuance of USD 2 billion under the 144a medium-term note programme.

separation & integration 10

10.1 Background

The formation of ABN AMRO Group is a result of various legal and operational separation and integration activities. The Dutch State-acquired businesses were required to be separated from RBS Holdings. Prior to Legal Separation, the Dutch State-acquired businesses were already substantially separated operationally. The FBN businesses acquired by the Dutch State needed to be separated from Ageas and BNP Paribas Fortis. FBN was still required to complete the operational separation after completion of the legal separation on 3 October 2008 from Ageas. Consequently, ABN AMRO Bank and FBN have taken various steps to integrate their businesses and legal structure to establish ABN AMRO Group.

10.2 Separation

Key achievements in 2010

- ▶ The Legal Demerger whereby the majority of the Dutch State-acquired businesses held by RBS N.V. (as part of RBS Holdings N.V.) were transferred to ABN AMRO Bank was completed on 6 February 2010. Operational separation, such as IT separation, was already largely completed in July 2009
- ▶ Legal Separation of ABN AMRO Bank Standalone from RBS Holdings N.V. to ABN AMRO Group was completed on 1 April 2010
- ▶ To satisfy a requirement imposed by the EC, ABN AMRO Bank had to sell part of its commercial banking business and found a buyer in Deutsche Bank. The sale was completed on 1 April 2010
- ▶ The operational separation between FBN and BNP Paribas Fortis was finalised on 11 December 2010
- ▶ The separation of FBN from ASR Nederland was completed on 3 October 2010

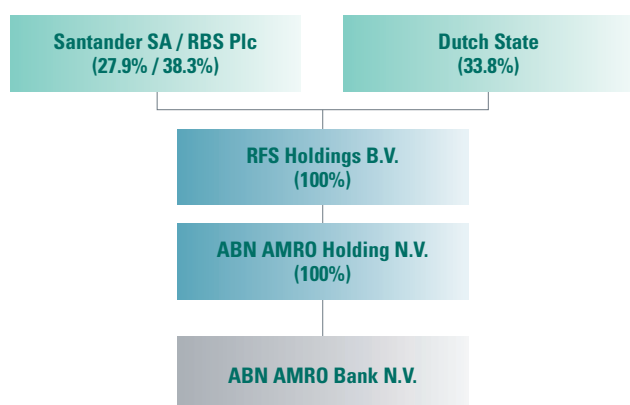
ABN AMRO Bank separation milestones

On 1 January 2010, the businesses of ABN AMRO acquired by the Dutch State were legally part of RBS N.V., which was consolidated by RBS Plc via ABN AMRO Holding.

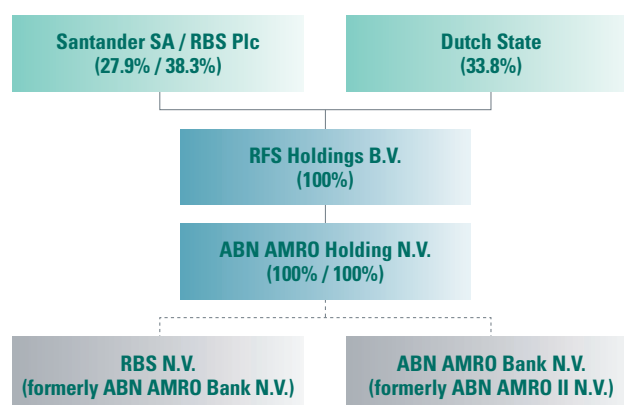
On 6 February 2010, the businesses acquired by the Dutch State legally demerged from the former ABN AMRO Bank N.V. into ABN AMRO Bank Standalone. On the same date, the former ABN AMRO Bank N.V. was renamed RBS N.V.

and ABN AMRO II N.V. was renamed ABN AMRO Bank N.V. The Legal Demerger led to a cross liability to RBS N.V. Note 38, Commitments and contingent liabilities, provides further information on this cross liability. Both before and after the execution of the Legal Demerger, some subsidiaries and assets and liabilities acquired by the Dutch State were transferred separately to ABN AMRO Bank Standalone.

On 1 April 2010, ABN AMRO Bank Standalone was legally separated from ABN AMRO Holding N.V. which was renamed RBS Holdings N.V. Almost all service level agreements with RBS Holdings N.V. were terminated by the end of 2010. A very small number of commercial agreements will continue.



Situation at 1 January 2010



Legal Demerger, 6 February 2010

On 1 April 2010, ABN AMRO Bank Standalone completed the sale of activities under the EC Remedy (see note 8, Other Income). This was a precondition set by the European Commission for the integration of ABN AMRO Bank Standalone and FBN. The operational separation under the EC Remedy will be finalised by 2012. The sale of the EC Remedy activities to Deutsche Bank included a financial guarantee providing for credit losses (the Credit Umbrella) that covers part of the credit losses on the portfolio existing at the time of the closing the transactions and a cross liability with new HBU II N.V. Note 38 Commitments and contingent liabilities provides further information.

Until the Legal Separation from RBS Holdings N.V., ABN AMRO Bank Standalone was governed by the ABN AMRO Holding Managing and Supervisory Boards and regulated on a consolidated basis with capital ratios, liquidity measures and exposures being reported to and regulated by DNB.

FBN separation milestones

Introduction

On 1 January 2010, the Dutch State owned all ordinary shares in FBN, and Fortis FBN(H) Preferred Investments B.V. owned 7.4% in class A non-cumulative preference shares in FBN. The Dutch State controlled this entity with 70% of the votes via shares with priority rights. The legal separation of FBN from Ageas had already been concluded in 2008. During the same period, BNP Paribas acquired a major share of the Ageas businesses, i.e. Fortis Bank SA/NV, currently named BNP Paribas Fortis. After this legal separation, the focus was on operational separation from BNP Paribas Fortis.

Separation from BNP Paribas Fortis

The goals of the separation were twofold: first, to stabilise core cross-border bank processes and systems, while identifying all potential gaps in services, systems and processes arising from the separation. And second, to resolve the gaps and issues encountered during the separation period, which was scheduled to be completed in the third quarter of 2010.

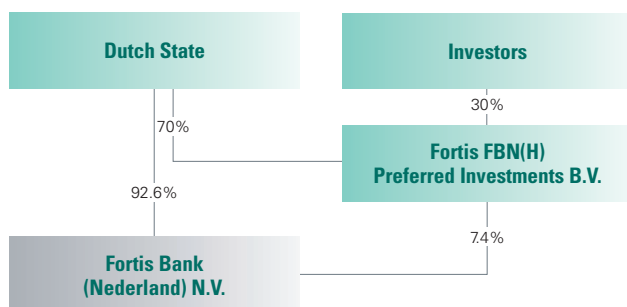
The majority of the projects included separating from BNP Paribas Fortis by cloning or setting up own systems and/or methods. Retail Banking and Securities Handling separated from BNP Paribas Fortis by migrating directly to the ABN AMRO Bank platform (Technical Integration Retail).

The operational services provided by BNP Paribas Fortis, such as online banking and securities handling, were of importance for FBN operations, and the standard of these services was continuously monitored during the separation. Overall, the separation had a positive impact on the service levels provided to clients as changes to the different systems were kept to an absolute minimum.

Separation from ASR Nederland and Amlin Corporate Insurance (ACI)

The legal and operational separations from ASR Nederland and ACI (previously Fortis Corporate Insurance) were successfully completed in the fourth quarter of 2010.

A commercial agreement with ASR was signed in order to guarantee the continuity of a small number of IT services needed until December 2011.



Situation at 1 January 2010

Separation costs

Separation costs in total amounted to 141 million in 2010 (2009: 237 million). These consisted mainly of EUR 96 million relating to various separation projects and the preparatory costs for the Legal Demerger, and EUR 42 million in start-up costs to operate FBN and ABN AMRO Bank Standalone independently prior to integration.

10.3 Integration

Key achievements in 2010

- ▶ FBN and ABN AMRO Bank Standalone started operating under ABN AMRO Group and joint management as of 1 April 2010
- ▶ The Legal Merger between ABN AMRO Bank Standalone and FBN was successfully completed on 1 July 2010
- ▶ The following integration activities were completed according to plan:
 - ▶ 1.6 million FBN retail clients were successfully migrated to ABN AMRO systems
 - ▶ the Markets dealing room was integrated and is fully functioning
 - ▶ buildings were divested according to plan
 - ▶ agreement was reached on a new collective labour agreement

Integration milestones

ABN AMRO Bank Standalone and RBS N.V. remained wholly owned by RBS Holdings N.V. until 1 April 2010, when ABN AMRO Bank Standalone was legally transferred to ABN AMRO Group, which was owned and controlled by the Dutch State.

On the same date, FBN was transferred from direct ownership by the Dutch State to ABN AMRO Group.

On 1 April 2010, "403 declarations" under Dutch law were issued to the effect that ABN AMRO Group accepts joint and several liability for commitments entered into by ABN AMRO Bank Standalone and its subsidiaries and FBN. From this date onward, ABN AMRO Bank Standalone and FBN were part of ABN AMRO Group, with both banks run under joint management by identical Managing and Supervisory Boards and senior management teams.

On 15 April 2010, the Managing Boards of ABN AMRO Bank Standalone, FBN and ABN AMRO Group filed a merger proposal with the Amsterdam Chamber of Commerce in order to merge FBN into ABN AMRO Bank

Standalone. The Legal Merger deed was passed on 30 June 2010 and became effective on 1 July 2010.

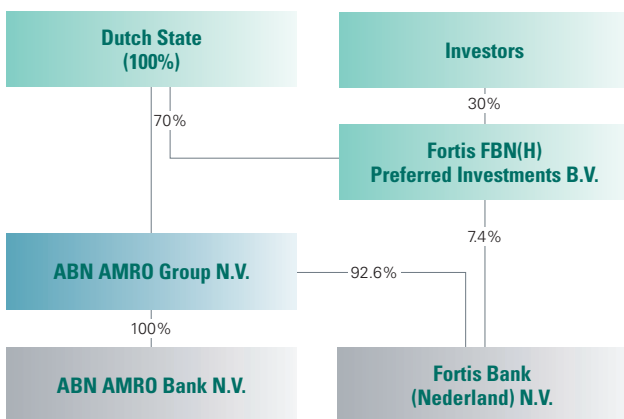
As of the date of the Legal Merger, the rights and obligations of FBN transferred to ABN AMRO Bank Standalone by law under universal title and FBN ceased to exist. As of the same date, all activities, the branch network and every subsidiary of FBN were transferred to ABN AMRO Bank Standalone.

On 1 July 2010, a major rebranding exercise took place where the FBN name was rebranded to ABN AMRO. The FBN brand was discontinued from use in the Netherlands on 1 October 2010 (as the FBN-brand belongs to BNP

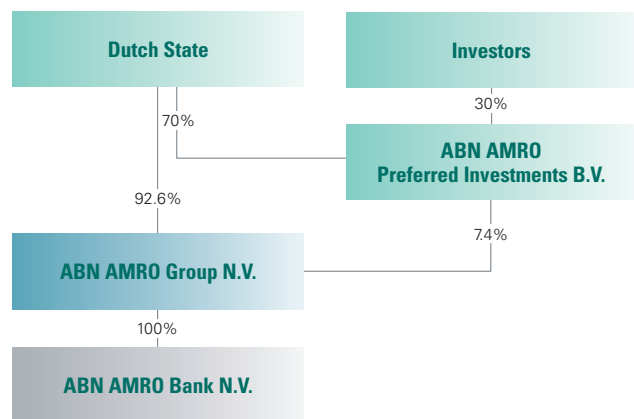
Paribas Fortis). The retail business continued to use the FBN brand until the systems were fully integrated in December 2010.

In connection with the Legal Merger, ABN AMRO Group issued class A non-cumulative preference shares to ABN AMRO Preferred Investments (previously named Fortis FBN(H) Preferred Investments B.V.) in exchange for the preference shares it held in FBN.

Following the Legal Merger, the Dutch State has a total (combined direct and indirect) interest in ABN AMRO Group of 97.8%.



Transfer to ABN AMRO Group, 1 April 2010.



Legal Merger, 1 July 2010.

Integration of businesses and systems

Retail Banking

ABN AMRO merged the last of the 146 branches of the retail network in the Netherlands on 6 July 2010. This concluded a period of three months during which ABN AMRO merged and closed down 146 of the 654 branches that resulted from the Legal Merger. To secure a smooth transition for FBN clients, branches remained two-in-one until the technical migration was completed. In this manner, FBN clients had access to their trusted bank staff during the migration, a service that was appreciated by clients. The technical migration of the 1.6 million FBN retail clients took place in clusters in the second half of 2010, with the final cluster being successfully migrated on 11 December 2010 and with minimum inconvenience to clients. Now that the migration

has been finalised, all ABN AMRO clients have access to an extensive network of 508 branches in the Netherlands. Four Contact Centres provide client support to the branches.

Markets

Following the Legal Merger, the two dealing rooms of FBN and ABN AMRO Bank were successfully integrated, with further integration to the target systems to be completed in the coming two years. The ABN AMRO dealing room officially re-opened on 27 October 2010.

In the second half of 2010, various products migrated from the FBN portfolio to the ABN AMRO systems, including the fixed income and FX & Rates portfolio.

Other businesses

FBN Commercial & Merchant Banking and Private Banking clients are scheduled to migrate to the ABN AMRO systems in 2011. In an effort to minimise inconvenience to clients, the existing relationship management will remain intact as much as possible.

Integration costs and synergies

Integration costs

In 2010, total identified integration costs amounted to EUR 770 million. In addition, EUR 20 million was capitalised. The identified integration costs in 2010 consisted of one-off restructuring costs and project costs related to integrating ABN AMRO Bank Standalone with FBN. The one-off restructuring costs comprised a provision for employee redundancy and impairments regarding office divestments and totalled EUR 451 million.

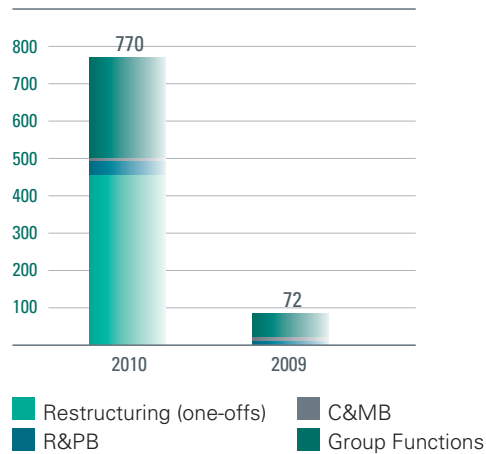
The identified integration project costs amounted to EUR 319 million in 2010 and consisted mainly of the following programmes:

- ▶ Technical Integration Retail (TIR). Under this programme, the bank successfully transferred 1.6 million FBN retail clients to the ABN AMRO Bank systems. This programme was finalised in 2010.
- ▶ The Legal Merger programme entails the costs associated with the Legal Merger. This programme was also finalised in 2010.
- ▶ The office relocation programme strives to utilise office property in the most efficient manner. Identified integration costs that are part of this programme relate to staff relocation, eliminating rental expenses, and costs associated with property disposal. Approximately 12,000 employees relocated, 90 rentals were closed and 30 buildings were sold in 2010. This programme will continue in 2011 and 2012.

Lastly, the bank worked to migrate FBN Commercial & Merchant Banking and Private Banking clients to the ABN AMRO Bank systems. With preparations under way, this programme will continue in 2011 and early 2012.

Integration Costs 2010

(in millions of euros)



Identified integration costs amounted to EUR 72 million in 2009 (Group Functions EUR 63 million, R&PB EUR 6 million and C&MB EUR 3 million). These mainly consisted of preparatory costs for the Technical Integration Retail and Legal Merger programmes mentioned above.

Synergies

As the integration of ABN AMRO Bank Standalone with FBN proceeded in 2010, synergies started to emerge. Only synergies that are the outcome of integration projects have been identified. Other cost reductions, such as cost containments, and lower than expected costs have not been identified as synergies yet. The Retail Banking integration was carried out, resulting in workforce synergies at R&PB and housing-related synergies within Group Functions. At the end of 2010, identified synergies amounted to approximately EUR 350 million. The reduction in the number of FTEs is on track. The identified synergies have been realised during the course of 2010 and are therefore not annualised.

Managing integration risks

Risks related to the integration are monitored closely, and ten categories of key risks have been identified. The key risks include loss of income, understaffing and lack of qualified staff, decline in staff morale, cost increases, disruption of core processes and/or systems, confidentiality and integrity issues, availability of data, quality of management information and communication to internal and external stakeholders. Mitigating measures have been formulated to address these risks.

A risk monitoring structure is in place, whereby the key risks are monitored at Managing Board level. These risks were significantly reduced thanks to the achievement of important milestones in 2010, such as joint management, the Legal Merger and completion of the integration programmes.

10.4 Workforce

FTE reduction

Integration and efficiency measures will involve further FTE reductions in the years ahead, mainly at Retail Banking and the Support Centres. At the same time, new jobs will be created. The number of FTEs at the combined bank is

expected to decrease by approximately 4,500 over the period 2009 – 2012. This cutback will be made in close cooperation with the businesses, HR and the Works Council. The bank will apply the “from job to job” principle, avoiding forced redundancies where possible.

Collective labour agreement

On 7 September 2010, ABN AMRO reached an agreement in principle with the trade unions on the new collective labour agreement (CAO), based on the former ABN AMRO CAO. The trade unions approved the new agreement on 26 November 2010, which will apply to all ABN AMRO employees as from 2011. Further information is provided in the Human resources section.

human resources 11

Key achievements in 2010

- ▶ Set-up of a bank-wide HR framework supporting the bank's objective of putting the client first and employees at the centre of the organisation. The framework includes a people strategy, business-specific people plans and culture interventions and surveys
- ▶ Agreement and implementation of a new, joint Social Plan for FBN and ABN AMRO employees, effective from 1 March 2010 to 1 January 2013
- ▶ Agreement of a new, joint collective labour agreement (CAO), effective from 1 March 2010
- ▶ Near completion of a complex bank-wide integration project, involving redundancies, employment conditions, new organisational structures and an extensive data migration process as part of the implementation of one bank-wide HR system

11.1 Introduction

Throughout 2010, Human Resources (HR) played a key role in the integration of FBN and ABN AMRO. HR supported the bank in the intensive resourcing processes, negotiated and implemented the HR conditions involved in these processes and saw its own organisation restructured. At the same time, HR worked on establishing its own new organisation and service model, and on designing a bank-wide people strategy framework, enabling the businesses to develop their own people plans within a bank-wide framework.

11.2 People strategy

ABN AMRO is ambitious when it comes to sustainable long-term growth. With the bank's client focus and core values Trusted, Professional and Ambitious in mind, HR defined the people strategy, one of the building blocks that will help sharpen client focus.

The people strategy aims to achieve the following goals:

- ▶ To translate the core values Trusted, Professional and Ambitious into a corporate culture which puts clients first and employees at the centre of the organisation. Key elements of the desired culture are cooperation and professionalism.
- ▶ To advance the bank's reputation as an attractive employer. To this end, ABN AMRO is investing in training and coaching its professionals while creating a challenging and inspiring work environment.
- ▶ To make ABN AMRO a more dynamic organisation that anticipates a constantly changing environment. Staff are encouraged to display professionalism in everything they do, develop and challenge themselves and be ambassadors of ABN AMRO – all of which will help them exceed clients' expectations.
- ▶ To boost employee commitment and involvement during the integration. ABN AMRO expects staff to work hard to achieve sustainable results for the bank's clients. Rewarding employees for their successes and results is part of the performance management policy.

The people strategy gives staff the tools they need to deliver the best possible service.

11.3 Regulatory developments

In July 2010, the European Parliament Council approved a revised Capital Requirements Directive (CRD III), with provisions regarding remuneration policies in the financial services industry. In December 2010, the committee of European Banking Supervisors (CEBS) introduced a range of remuneration-related guidelines for financial services institutions. In the Netherlands, the supervision of DNB and AFM on remuneration is established in the *Besluit beheerst beloningsbeleid Wft* (Decree on Restrained Remuneration Policies) of 19 November 2010, and the provisions are further implemented in the *Regeling beheerst beloningsbeleid Wft 2011* (Supervisory Regulation on Restrained Remuneration Policies). The CEBS guidelines should be taken into account when formulating and implementing remuneration policies. The "*Regeling beheerst beloningsbeleid*" sees to the governance, development and disclosure of the remuneration policies. There should be a strong link between the remuneration policies and the risk appetite and policies of the financial institution. For a specific group of employees the variable pay should be paid out partly in cash and partly in non-cash. Part of the variable pay should be deferred and a clawback clause should be implemented.

The formulation and implementation of CRD III-compliant remuneration policies is monitored by the Managing Board.

11.4 Collective labour agreement (CAO) and remuneration policy

After several months of negotiations, the bank and trade unions reached agreement on 26 November 2010 on a new collective labour agreement (CAO). The new CAO, effective from 1 March 2010 to 1 January 2013, harmonises the compensation and benefits packages of former ABN AMRO and FBN.

Changes affecting staff from former ABN AMRO are limited: the new CAO introduces a pension scheme with an employee contribution. The new agreement has a bigger impact on staff from FBN: the major change is that variable pay and the life-course savings scheme contribution are replaced in favour of a better pension plan. FBN employees are guaranteed their current salaries.

Other benefits such as paid parental leave are mainly based on the former ABN AMRO schemes, which are an improvement for FBN employees. During the term of this CAO all employees will receive a structural salary increase of 1% in January 2011 and 2% in July 2012. The new compensation and benefits schemes were introduced on 1 January 2011.

Integrated Social Plan (ISP)

On 14 December 2009, the bank and labour unions reached agreement on an Integrated Social Plan (ISP-CAO) called "From job to job"; effective from 1 March 2010 to 1 January 2013. The bank and unions drew up this plan to enhance the employability of staff and to minimise redundancies after reorganisations.

The ISP-CAO consists of rules for placement procedures in the context of a reorganisation. First, employees to be made redundant will enter a three-month transfer period during which they will be given priority status for internal vacancies and are obliged to accept suitable, internal alternative positions. After this three-month period, employees who become redundant can opt to transfer to the mobility organisation or to voluntarily leave the bank with a severance payment based on age and years of bank service. Employees transferred to the mobility organisation receive support in finding a job in or outside the bank during a period up to 12 months. If no employment is found within this period, the employment contract will be terminated with a severance payment of 75% of the payment they would have received when voluntarily leaving the bank before entering the mobility organisation.

Mobility and redeployment

In accordance with the ISP-CAO, the Mobility & Redeployment Centre seeks to limit the number of redundancies and to coach redundant staff "from job to job" by promoting mobility. The department works to redeploy staff within and outside the bank. To further support the ISP-CAO objectives, the bank's senior management must meet stringent mobility targets.

Various promotional activities were organised in 2010, including a mobility campaign, presentations, workshops, job fairs (with the participation of 650 redundant employees) and a special intranet site where internal

vacancies were posted. Ninety-five per cent of vacancies within the organisation were open exclusively to the bank's staff, with redundant employees having priority.

Designated Mobility Advisors were assigned to each notified employee, offering support in creating an online profile and in actively looking for internal and external vacancies.

In 2010, approximately 21% of employees were placed in suitable internal jobs in the three-month transfer period (described under "Integrated Social Plan"). The Redeployment Centre coached a total of 350 employees in 2010, focusing on suitable positions within and outside the bank. At 31 December 2010 10% of these employees had already managed to find temporary work within ABN AMRO and approximately 55% managed to find new jobs either internally or externally.

11.6 Workforce migration

Natural attrition

Employee turnover is monitored carefully. Natural attrition remained stable in 2010, at 2.5% (after consolidation), and accurately reflects developments that took place in the year under review. At the former ABN AMRO, natural attrition came to 4.9% in 2008 and fell sharply to 2% in 2009 and 2010; at FBN, natural attrition came to 4% in 2010.

Workforce data

At 31 December 2010, ABN AMRO employed 26,161 FTE compared with 29,551 at 31 December 2009. The reduction was due to staff attrition mainly as a result of the integration and divestments. The bank is well on schedule to meet its reduction targets and is confident about the objectives for the coming years.

11.7 A good employer

ABN AMRO was ranked the number 11 employer in the Netherlands in the 2010 Intermediar Image Survey, matching its position in 2009, and came in 14th place in the Intelligence Group barometer – two leading Dutch employment indicators.

Human Resources worked together with various departments to reposition the bank as an employer. The first campaign based on the new employer positioning, a trainee recruitment campaign, was launched at the end of 2010. This innovative campaign promoted the use of 22 QR codes (which connect mobile phones with a web page) and a mobile website.

11.8 Diversity

ABN AMRO firmly believes that diversity in the workplace enhances a company's performance, even in times of restructuring and building a new organisation. In 2010, the bank's diversity efforts were centred around four themes: gender, ethnicity, life stage and physical disability. The bank will continue to pursue this focus in 2011.

The Managing Board and Diversity Board, established in 2010, promote diversity at ABN AMRO. The recently created ABN AMRO Diversity Network (DN@) aims to improve cultural diversity within the bank and complements two of the bank's other long-standing diversity networks: Women on the Move and Gay Bankers Network.

The bank signed the Talent to the Top Charter as part of its commitment to achieving explicit gender diversity targets. The number of women in senior and middle-management positions, however, grew only modestly in 2010, to 15.7% (2009: 15.6%) and 20.7% (2009: 19.3%) respectively, due to factors such as the reorganisation. At the same time, the Dutch *Management Team* magazine voted ABN AMRO most woman-friendly business in the Netherlands. The bank will continue to pursue its ambitious targets of placing women in 20% of senior positions and in 25% of middle-management positions.

The bank has extensive coaching and mentoring programmes in place to support women. The Managing Board, for its part, intends to play an even more active role in this respect, aspiring to achieve a male/female ratio in the bank's talent pool that will help boost the number of women in senior positions and by personally coaching female talent.

ABN AMRO is seeking to recruit more bi-cultural employees. As part of this effort, the bank has a large number of mainly senior managers who act as mentors

to support bi-cultural staff in their personal and professional development. This mentoring programme demonstrates the bank's commitment and distinctive approach to cultural diversity.

ABN AMRO seeks to be an inclusive company where all staff feel equally welcome regardless of the stage of life they are in. Dual-income earners with children, recent graduates, seasoned veterans: the bank endeavours to earn the loyalty of all groups of employees by addressing their specific needs in areas such as work-life balance.

Finally, ABN AMRO supports the employment of people with a physical disability. To this end, the bank supports the efforts of CAP 100, an initiative that links 100 disabled high potentials with companies in the Netherlands. The bank has also signed a covenant with Valid Foundation aimed at promoting accessibility and retention of disabled employees.

11.9 The New World of Work

Vision

ABN AMRO is promoting the New World of Work to help staff work more flexibly, boosting efficiency and effectiveness. Employees decide themselves – within limits set by their business lines and in consultation with their managers – where, when and with whom they work.

Results

By promoting the New World of Work, the bank aims to improve client satisfaction, employee satisfaction, productivity and efficiency. The goals are as follows:

- ▶ To acclimate employees to working flexibly with sophisticated tools which they can use efficiently to serve clients.
- ▶ To help employees strike a good work-life balance, improving the bank's image on the job market and creating greater scope for diversity.
- ▶ To reduce the need for staff to travel, lowering the bank's ecological footprint.

ABN AMRO will introduce the New World of Work in four stages. The bank conducted research in 2009 and launched pilot environments in 2010.

11.10 Change and Integration

Approach

ABN AMRO faces the challenge of shaping the new organisation according to the business strategy, corporate values and people strategy. To meet this challenge from a cultural perspective, the Human Resources, Change & Integration and Communications & Branding departments are working together to support the business with internal branding and leadership development and to promote the new company culture in the coming two years.

Internal branding

The aim of internal branding is to promote the core values – Trusted, Professional and Ambitious – and to make them a compass for the behaviour of managers and staff alike. The values also form the basis for the bank's external positioning. Successful internal branding helps build a strong culture and corporate identity, and boosts company pride and engagement among staff. The bank kicked off communication of the values in 2010 and will press ahead in 2011 to ensure that all employees understand how the values should influence their behaviour. One way in which the values are being promoted bank-wide is with Serious Gaming (an interactive computer game), which was introduced in 2010.

Bringing about the new culture

Promoting the core values will ultimately ensure that every ABN AMRO employee lives the same values. As the values cannot be translated directly into behaviour, the bank has formulated key behavioural aspects which staff must develop in order to help the bank achieve its ambition. Besides the bank-wide aspect "client focus", the businesses can select two additional aspects to develop, such as cooperation and clarity of goals. To this end, bank-wide and business-specific interventions will be organised in 2011. One example is an innovative social networking platform (Arena), introduced in 2010 to improve client focus, knowledge sharing and internal networking.

Leadership development

ABN AMRO revitalised the bank's leadership programmes in 2010 by introducing the new corporate values and new leadership competencies. The leadership programmes are designed to assist the bank's leaders – a combination of managers from former FBN and former ABN AMRO – in

their capacity as change agents in bringing about the culture change. HR also organised special events in 2010, such as Get Engaged and Appoint & Connect sessions, to equip the bank's leaders to lead the organisation through future changes. HR plans to emphasise client focus bank-wide in an effort to boost client satisfaction and will work to strengthen employee engagement.

Monitoring

ABN AMRO has introduced two methods to monitor progress in cultural change and to make timely adjustments as necessary. The annual Culture Scan gives insight into the gap between the current culture and the desired culture. The quarterly Mood Monitor measures the mood among staff and their perception of leadership, the effectiveness of communication and confidence in the bank's strategic direction.

The results of both of these surveys are reported to the Supervisory and Managing Boards and to members of the Management Group. Management works with HR to communicate the results to the rest of the organisation and to implement follow-up measures.

Beter (company health services)

Beter is the ABN AMRO health and safety service.

An expert in working conditions, Beter advises the bank on health and safety issues at both individual and organisational level. Beter noted the following developments at ABN AMRO in 2010:

- ▶ ABN AMRO's absenteeism percentage is comparable with other banking institutions in the Netherlands and remained relatively stable in 2010.
- ▶ Frequency of sick leave declined slightly.
- ▶ Beter provided support to both management and staff with placement interviews.
- ▶ Beter improved self-service sick leave registration for management and staff of ABN AMRO.

Beter will offer ABN AMRO maximum support with working conditions in 2011.

sustainability 12

Key achievements in 2010

- ▶ Launch of Generation Next sustainability strategy
- ▶ Embedding of sustainability into the business planning cycle
- ▶ Rebranding of Fortis Foundation Nederland to ABN AMRO Foundation
- ▶ Dutch winner of the European Employee Volunteering Award

ABN AMRO aspires to play a prominent role in sustainable business development and, in doing so, to gain a leading position as a sustainable bank by 2012. To this end, ABN AMRO is systematically integrating sustainability into the bank's strategy and core processes. Disclosure on the bank's sustainability priorities is provided throughout the different sections of this report and will be available in an additional publication and on the corporate website.

In its commitment to capturing long-term value, ABN AMRO places stakeholders at the heart of its approach to sustainability. The bank recognises that clients, employees, society at large, the environment and shareholders are the bases for a sustainable future.

12.1 Generation Next

The bank's central sustainability theme, Generation Next, reflects the essence of its ambition: ABN AMRO is here for the long term and is taking into account the legitimate interests of its stakeholders – not only for today's world, but for future generations too. Three key elements shape

this theme: Inclusion, Resource Efficiency and Entrepreneurship.

ABN AMRO is setting a sustainability agenda that focuses on green and socially responsible market opportunities. This approach enhances the bank's risk management, as it takes into account societal and environmental impact and risks, and promotes dedicated involvement in the communities in which the bank is active through ABN AMRO Foundation. Internal environmental care and structural reporting and engagement on sustainability issues all contribute to the bank's licence to operate.

12.2 2010 activities and objectives for 2011

Governance of the sustainability organisation was established and sustainability ambitions have been embedded in the business planning cycle. The Sustainability Advisory Board, composed of external experts in the field of sustainability, ethics and reputation, will be launched in early 2011.

Seeking business opportunities

ABN AMRO aims to build trusted, long-term and personal relationships with its clients. Clients are becoming increasingly aware of sustainability issues, heightening demand in some segments for sustainable financial products and services. ABN AMRO actively seeks out business opportunities and offers a range of sustainable solutions catering to this need, often within the bank's own business. Early 2011, ABN AMRO hosted the successful IUCN Leaders for Nature conference on "Discovering the potential of greening your core business"

See the Business overview section for further information.

Risk management

Responsible growth requires robust and effective risk management, governance and compliance procedures. ABN AMRO is convinced that these procedures can genuinely help improve the quality of its business and enable the bank to make more balanced and well-informed decisions. As part of its risk management procedures, a body of policies has been developed to manage sustainability risk, i.e. the risk that the practices of the bank, its business relations or service providers will damage the bank's profile in the perception of its stakeholders (clients and other business relations, employees, suppliers, investors and regulators/ governmental bodies).

In the year under review, ABN AMRO worked to embed sustainability risk in the bank's risk governance, appetite and taxonomy. Translation of sustainability risk into a single integrated set of operating policies is in progress. These policies relate to different sectors, including the defence industry, agricultural commodities and shipping.

Community involvement

ABN AMRO Foundation promotes the bank's corporate societal engagement by organising employee volunteering projects. The Foundation focuses on helping youth in a vulnerable position due to their social background or physical disability. The goal is to strengthen young peoples' position in society so as to improve their opportunities on the job market, and the idea is that working together

benefits these youngsters and ABN AMRO staff alike. ABN AMRO Foundation focuses on the following issues: debt, social exclusion (caused by school drop-out and disability), unhealthy lifestyle and cultural poverty.

In 2010, ABN AMRO Foundation facilitated volunteer work for 3,313 employees in 241 different projects. Retail Banking launched a project whereby staff teach school children how to deal with money responsibly. This successful project will be continued in 2011. Early this year, ABN AMRO Foundation was named Dutch winner of the European Employee Volunteering Award.

Internal environmental care and stakeholder engagement

As part of the bank's commitment to internal environmental care, TOPS (see the Business overview section) took various initiatives in 2010 and drew up a plan to reduce energy and paper consumption by 20% by 2015.

Stakeholder engagement is a vital part of any effective sustainability strategy. ABN AMRO maintains contact with a wide group of stakeholders, devoting particular attention to clients and employees. The bank also interacts with stakeholders in society, including regulators, industry associations, NGOs and local communities. In its efforts to contribute to international guidelines and to share ideas and opportunities, ABN AMRO is a member of various domestic and international networks, including UNEP FI, UN Global Compact and MVO Nederland.

responsibility statement 13

Pursuant to section 2:25c sub 2 part c of the Dutch Financial Supervision Act and in accordance therewith, the members of the Managing Board state that to the best of their knowledge:

- ▶ the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Group N.V. and the companies included in the consolidation;
- ▶ the Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2010 of ABN AMRO Group N.V. and of the enterprises affiliated to it for which data is included in its Annual Financial Statements; and
- ▶ the Annual Report describes the material risks with which ABN AMRO Group N.V. is faced.

Amsterdam, 18 March

The Managing Board

Gerrit Zalm, Chairman

Jan van Rutte, Vice-Chairman

Johan van Hall, Member

Caroline Princen, Member

Wietze Reehorn, Member

Chris Vogelzang, Member

Joop Wijn, Member

cautionary statement on forward-looking statements

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The Group has included in this Annual Report, and from time to time may make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "aim", "desire", "strive", "probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions.

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

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

- ▶ The extent and nature of future developments and continued volatility in the credit markets and their impact on the financial industry in general and ABN AMRO in particular;
- ▶ The effect on ABN AMRO's capital of write-downs in respect of credit exposures;
- ▶ Risks related to ABN AMRO's merger, separation

and integration process;

- ▶ General economic conditions in the Netherlands and in other countries in which ABN AMRO Bank has significant business activities or investments, including the impact of recessionary economic conditions on ABN AMRO's revenues, liquidity and balance sheet;
- ▶ Actions taken by governments and their agencies to support individual banks and the banking system;
- ▶ Monetary and interest rate policies of the European Central Bank and G7 central banks;
- ▶ Inflation or deflation;
- ▶ Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- ▶ Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments;
- ▶ Changes in Dutch and foreign laws, regulations and taxes;
- ▶ Changes in competition and pricing environments;
- ▶ Inability to hedge certain risks economically;
- ▶ Adequacy of loss reserves;
- ▶ Technological changes;
- ▶ Changes in consumer spending, investment and saving habits; and
- ▶ The success of ABN AMRO in managing the risks involved in the foregoing.

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

annual financial statements

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Consolidated income statement for the year ended 31 December 2010

(in millions of euros)	Note	2010	2009
Income			
Interest income		12,952	15,035
Interest expense		8,047	10,767
Net interest income	4	4,905	4,268
Fee and commission income		2,550	2,400
Fee and commission expense		784	467
Net fee and commission income	5	1,766	1,933
Net trading income	6	304	139
Results from financial transactions	7	330	203
Share of result in equity accounted investments		91	94
Other income	8	-599	712
Operating income		6,797	7,349
Expenses			
Personnel expenses	9	2,846	2,690
General and administrative expenses	10	2,847	2,478
Depreciation and amortisation of tangible and intangible assets	11	536	381
Operating expenses		6,229	5,549
Loan impairment and other credit risk provisions	19	837	1,585
Total expenses		7,066	7,134
Operating profit/(loss) before taxation		-269	215
Income tax expense	12	145	-59
Profit/(loss) for the year		-414	274
<i>Attributable to:</i>			
Owners of the company		-417	272
Non-controlling interests		3	2

The notes to the consolidated financial statements are an integral part of these statements.

Consolidated statement of comprehensive income for the year ended 31 December 2010

(in millions of euros)	Note	2010	2009
Profit/(loss) for the period		-414	274
Harmonisation adjustments			-22
Profit/(loss) for the period, excluding harmonisation adjustments		-414	296
<i>Other comprehensive income:</i>			
Currency translation reserve		13	-6
Available for sale financial assets		139	246
Cash flow hedging reserves		-6	-247
Other changes			28
Income tax relating to components of other comprehensive income		-4	-47
Other comprehensive income for the period after taxation	13	150	68
Total comprehensive income/(expense) for the period after taxation		-264	364
<i>Total comprehensive income attributable to:</i>			
Owners of the company		-267	345
Non-controlling interests		3	19

The notes to the consolidated financial statements are an integral part of these statements.

See paragraph 1.5 for the explanation of the harmonisation adjustments of the accounting policies of ABN AMRO and Fortis Bank (Nederland).

Consolidated statement of financial position as at 31 December 2010

(in millions of euros)	Note	31 December 2010	31 December 2009
Assets			
Cash and balances at central banks	14	906	4,368
Financial assets held for trading	15	24,300	20,342
Financial investments	16	20,197	20,763
Loans and receivables - banks	17	41,117	45,062
Loans and receivables - customers	18	275,755	280,729
Equity accounted investments	20	1,159	975
Property and equipment	21	1,679	1,937
Goodwill and other intangible assets	22	412	472
Assets held for sale	23	85	
Accrued income and prepaid expenses	24	4,169	3,532
Current tax assets	25	875	507
Deferred tax assets	25	633	537
Other assets	26	8,312	7,300
Total assets		379,599	386,524
Liabilities			
Financial liabilities held for trading	15	19,982	26,951
Due to banks	27	21,536	37,387
Due to customers	28	211,277	210,748
Issued debt	29	86,591	70,837
Subordinated liabilities	30	8,085	11,747
Provisions	31	1,716	1,328
Accrued expenses and deferred income	33	6,602	5,980
Current tax liabilities	25	755	369
Deferred tax liabilities	25	132	84
Other liabilities	34	10,811	12,138
Total liabilities		367,487	377,569
Equity			
Share capital		1,015	
Share premium		11,505	
Other reserves (incl. retained earnings/profit for the period)		362	9,666
Other components of equity		-783	-933
Equity attributable to owners of the parent company	35	12,099	8,733
Equity attributable to non-controlling interests		13	222
Total equity		12,112	8,955
Total liabilities and equity		379,599	386,524
Committed credit facilities	38	14,553	16,175
Guarantees and other commitments	38	23,193	10,235

The notes to the consolidated financial statements are an integral part of these statements.

Consolidated statement of changes in equity for the years ended 31 December 2009 and 31 December 2010

(in millions of euros)	Share capital	Share premium reserve	Other reserves including retained earnings	Currency translation reserve	Available for sale reserve	Cash flow hedges reserve	Net profit attributable to shareholders	Total	Non-controlling interests	Total equity
Balance at 31 December 2008			25,696	-6	-169	-792	-14,956	9,773	290	10,063
Transfer			-14,956				14,956			
Balance at 1 January 2009			10,740	-6	-169	-792		9,773	290	10,063
Total comprehensive income			17	-13	218	-171	294	345	19	364
Issue of share capital										
Dividend									-87	-87
Increase of capital			1,350					1,350		1,350
Allocation to shared assets RBS N.V.			-2,559					-2,559		-2,559
Other changes in equity			-133					-133		-133
Balance at 31 December 2009	0 *)		9,415	-19	49	-963	294	8,776	222	8,998
Harmonisation adjustments			-21				-22	-43		-43
Harmonised equity at 31 December 2009	0 *)		9,394	-19	49	-963	272	8,733	222	8,955
Total comprehensive income				27	136	-13	-417	-267	3	-264
Issue of share capital										
Transfer			272				-272			
Dividend									-2	-2
Increase of capital	1,015	11,505	-9,068					3,452	-210	3,242
Other changes in equity			181					181		181
Balance at 31 December 2010	1,015	11,505	779	8	185	-976	-417	12,099	13	12,112

*) The share capital at 31 December 2009 amounted EUR 0.1 million.

The notes to the consolidated financial statements are an integral part of these statements.

2010

During the reporting period, issued and paid-up ordinary share capital of ABN AMRO Group N.V. increased by EUR 940 million, following the issuance of new shares on 1 April 2010. Payment on the shares was fully effected through a contribution in kind by the Dutch State.

The shares in ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. were transferred into ABN AMRO Group N.V. on 1 April 2010. Mainly as a result of the transfer, share premium reserves increased by EUR 11.5 billion. The net asset value of both banks amounting to EUR 9.1 billion has been transferred by the Dutch State to ABN AMRO Group N.V. as a share premium contribution on the shares issued by ABN AMRO Group N.V. (EUR 8.2 billion) plus a contribution on ordinary shares issued (EUR 0.9 billion). This is also reflected by EUR -9.1 billion movement in other reserves.

Due to the Legal Merger of Fortis Bank (Nederland) N.V. and ABN AMRO Bank N.V., ABN AMRO Group N.V. issued 75,000,000 class A non-cumulative preference shares to 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) N.V. on 1 July 2010. These shares were previously issued by Fortis Bank Nederland and included as a non-controlling interest in 2009.

These preference shares were issued for a total amount of EUR 210 million. The preference share dividend over 2009 has been included in 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 owns 35 priority shares and institutional investors own three classes of five ordinary shares in ABN AMRO Preferred Investments B.V. The priority shares held by the Dutch State effectively allow the State to control ABN AMRO Preferred Investments B.V.

Due to the conversion of the EUR 2.6 billion Mandatory Convertible Notes the share premium reserve increased EUR 2.7 billion (of which EUR 0.1 billion relates to capitalised interest). The remaining increase of the share premium reserve is attributable to the completion of the capitalisation of ABN AMRO Bank N.V. by the Dutch State (EUR 0.5 billion) in accordance with the letter to Parliament of 19 November 2009 and a settlement related to the separation of ABN AMRO Bank N.V. from RBS N.V.

Other changes in equity are mainly related to the separation from RBS N.V.

Transfer includes the allocation of the profit / loss of the prior period to the other reserves.

2009

In 2009 a share premium contribution was made by the Dutch State of EUR 1.3 billion. This agreement was signed at 24 December 2009 between the Dutch State and former Fortis Bank (Nederland) N.V.

During 2009 the Consortium partners RBS N.V., Santander and the Dutch State agreed on a reallocation of share capital to the shared assets. This resulted in a decrease of Other reserves of EUR 2.6 billion.

Consolidated statement of cash flows for the year ended 31 December 2010

(in millions of euros)	Note	2010	2009
Profit/(loss) for the year		-414	274
<i>Non-cash items included in profit:</i>			
(Un)realised gains (losses)		663	-192
Share of profits in associates and joint ventures		-100	-94
Depreciation, amortisation and accretion		363	316
Provisions and impairments		1,916	1,807
Income tax expense		145	-59
<i>Changes in operating assets and liabilities:</i>			
Assets held for trading		-4,712	-5,139
Liabilities held for trading		-6,645	3,070
Loans and receivables - banks		4,755	-10,718
Loans and receivables - customers		-6,148	-2,887
Other assets		-185	454
Due to banks		-14,201	14,049
Due to customers		8,453	-4,374
Net changes in all other operational assets and liabilities		-2,611	-2,243
Dividend received from associates		44	36
Income tax paid		-247	-255
Cash flow from operating activities		-18,924	-5,955
<i>Investing activities:</i>			
Purchases of financial investments		-8,883	-13,623
Proceeds from sales and redemptions of financial investments		11,144	6,674
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures		-122	855
Divestments of subsidiaries (net of cash sold), associates and joint ventures		752	-610
Purchases of property and equipment		-196	-282
Proceeds from sales of property and equipment		12	153
Purchases of intangible assets		-125	-130
Cash flow from investing activities		2,582	-6,963

continued >

(in millions of euros)	Note	2010	2009
Proceeds from the issuance of debt		35,342	26,638
Repayment of issued debt		-21,158	-15,675
Proceeds from subordinated liabilities issued			2,606
Repayment of subordinated liabilities issued		-976	-2,975
Proceeds from shares issued		490	1,342
Dividends paid to non-controlling interests		-2	-87
Cash flow from financing activities		13,696	11,849
Net increase (decrease) of cash and cash equivalents		-2,646	-1,069
Cash and cash equivalents as at 1 January		7,560	8,504
Effect of exchange rate differences on cash and cash equivalents		152	125
Cash and cash equivalents as at 31 December	36	5,066	7,560
Supplementary disclosure of operating cash flow information			
Interest paid		-8,572	-11,720
Interest received		12,954	16,356
Dividend received from investments		27	18

The notes to the consolidated financial statements are an integral part of these statements.

notes to the annual financial statements

1 Accounting policies

1.1 Corporate information

ABN AMRO Group N.V. (referred to as "ABN AMRO Group" or "the Company") is the parent company of the ABN AMRO Bank N.V., a consolidated group of companies (referred to as "the Group" or "ABN AMRO"). ABN AMRO Group 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.

ABN AMRO provides a broad range of financial services, including Retail & Private Banking and Commercial & Merchant Banking. These activities are primarily in The Netherlands and selectively abroad.

The consolidated annual financial statements of ABN AMRO Group for the annual period ended 31 December 2010 incorporate financial information of ABN AMRO Group N.V., its controlled entities, interests in associates and joint ventures. The annual financial statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 17 March 2011.

1.2 Structuring of ABN AMRO

The following transactions were effected on 1 April 2010:

- ▶ The Legal Separation of ABN AMRO Bank N.V. from the former ABN AMRO Holding N.V. (renamed RBS Holdings N.V.);
- ▶ The acquisition of ABN AMRO Bank N.V. by ABN AMRO Group through the transfer of all outstanding shares of ABN AMRO Bank N.V. from ABN AMRO Holding N.V. (renamed RBS Holdings N.V.) to ABN AMRO Group N.V.;
- ▶ ABN AMRO Bank N.V. finalised the sale of parts of its activities, including new HBU II N.V. and IFN Finance B.V. to Deutsche Bank A.G. The closing of the sale was a prerequisite imposed by the European Commission's competition requirement (EC Remedy) for ABN AMRO Group to integrate Fortis Bank (Nederland) N.V. with ABN AMRO Bank N.V.;
- ▶ ABN AMRO Group acquired all outstanding ordinary shares and full control over Fortis Bank (Nederland) N.V. from the Dutch State.

On 1 July 2010 a legal merger was effected between ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. resulting in ABN AMRO Group holding one subsidiary named ABN AMRO Bank N.V.

1.3 Statement of compliance

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Where accounting policies are not specifically mentioned below, reference should be made to the IFRS as adopted by the European Union.

1.4 Basis of presentation

The annual financial statements are the first consolidated annual financial statements prepared by ABN AMRO Group N.V. consolidating the businesses of ABN AMRO Bank N.V. for the year ended 31 December 2010.

The different steps leading to the creation of the ABN AMRO Group have been accounted for in the annual financial statements as described below.

The combination of ABN AMRO Group and ABN AMRO Bank is regarded as a continuation of the financial history of the Dutch State-acquired businesses of the former ABN AMRO Bank N.V., hence ABN AMRO Group applied the pooling of interest method. As a result, the consolidated annual financial statements include the results of ABN AMRO Bank for the full annual period ended 31 December 2010, as if the combination of ABN AMRO Group and ABN AMRO Bank has existed in its current form as from 1 January 2010. Comparative information has been included for 2009.

The acquisition of Fortis Bank (Nederland) by ABN AMRO Group has been accounted for using the pooling of interest method of accounting, since the acquisition qualifies as a common control transaction. Therefore, the consolidated annual financial statements of ABN AMRO Group include the financial results of Fortis Bank (Nederland) for the full year ended 31 December 2010, as if the two banks have been together as of 1 January 2010. Comparative information has been included for 2009.

For the reasons described above, the combination of ABN AMRO Group and ABN AMRO Bank and the subsequent acquisition by ABN AMRO Group of Fortis Bank (Nederland) have been accounted for without application of IFRS 3 Business Combinations. As a result, the assets, liabilities and contingent liabilities of ABN AMRO Bank and Fortis Bank (Nederland) have been recognised by ABN AMRO Group at their existing book values on the date of acquisition and no goodwill has been recognised by ABN AMRO Group.

A common set of accounting policies and principles has been defined for the new ABN AMRO group. To that end, the accounting policies and principles of ABN AMRO Bank and Fortis Bank (Nederland) have been harmonised. The cumulative adjustment as a result of a change in accounting policies for one of the two banks has been adjusted in

the opening equity as at 1 January 2009. An overview of the effect of the accounting policy harmonisation is summarised in section 1.5.

To align with the classification of line items as defined for the new ABN AMRO Group, certain line items of ABN AMRO Bank and Fortis Bank (Nederland) have been reclassified.

The consolidated annual financial statements are prepared in accordance with IFRS on a mixed model valuation basis as follows:

- ▶ fair value is used for:
 - ▶ derivative financial instruments;
 - ▶ financial assets and liabilities held for trading or designated as measured at fair value through income;
 - ▶ available-for-sale financial assets;
- ▶ other financial assets (including "loans and receivables") and liabilities are valued at amortised cost less any impairment if applicable;
- ▶ the carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- ▶ non-financial assets and liabilities are generally stated at historical cost;
- ▶ risk disclosures under IFRS 7, "Financial instruments disclosures," about the nature and extent of risks arising from financial instruments are incorporated herein by reference to the audited section 7 Risk management of the Managing Board Report.

The annual financial statements are presented in euros, which is the functional currency of ABN AMRO, rounded to the nearest million (unless stated otherwise).

1.5 Harmonisation of accounting policies

The accounting policies used to prepare these annual financial statements are consistent with those applied by ABN AMRO Bank and Fortis Bank (Nederland) in their consolidated financial statements for the year ended 2009 except for the harmonisation of accounting policies as described below.

The harmonisation of accounting policies of ABN AMRO Bank and Fortis Bank (Nederland) entailed alignment of choices given within IFRS as well as the practical application of accounting policies. The harmonisation primarily related to accounting for the determination of loan loss impairments, credit valuation adjustments and joint ventures.

To determine the amounts of loan loss impairments ABN AMRO took into account the impact of discounting expected recoveries of collateral and other cash flows whereas Fortis Bank (Nederland) did not. The approaches have been aligned and it has been decided to adopt the ABN AMRO approach going forward.

Both banks calculate Credit Valuation Adjustments (CVA), mainly counterparty risk related to interest rate derivatives, but the policy is implemented differently. The main difference relates to the determination of the estimated credit risk. Fortis Bank (Nederland) used a Basel II oriented approach (probability of default loss given default) whereas

ABN AMRO Bank used a Risk Adjusted Return On Capital (RAROC) credit margin. It has been decided to use the ABN AMRO approach going forward.

The provision for incurred but not identified losses (IBNI) is also harmonised for the loss identification period, the cure rate and the risk portfolios it applies to.

The Fortis Bank (Nederland) method will be used going forward.

In anticipation of Exposure Draft 9, the consolidation of joint ventures has been harmonised to equity accounted investments. Given ABN AMRO Bank's proportionally consolidated joint ventures in the past, the presentation in the statement of financial position and income statement has been adjusted. There is no impact on equity as a result of this adjustment.

Furthermore, there have been alignments in the classifications of certain items in the income statement, such as the classification of commitment fees, expenses for external staff and elements of trading income. These alignments do not have any impact on ABN AMRO's equity.

As stated in the basis of the presentation section, the pooling of interest method has been used. Consequently, ABN AMRO Group as a newly established entity determined its accounting policies from the start and there is no difference between accounting policy changes and changes in accounting estimate. All accounting policies were therefore harmonised as from 1 January 2009, the first date presented in this annual report.

The table below shows the result on impact on the equity of the merged entity:

(in millions of euros)	31 December 2009	1 January 2009
Fortis Bank (Nederland)	4,721	3,019
ABN AMRO Bank	4,277	7,044
Total Equity	8,998	10,063
Harmonisation adjustments equity	-21	
Harmonisation adjustments income statement	-22	
Harmonised Equity	8,955	10,063

The harmonisation impact as from 1 January 2009 was minor, therefore no harmonisation adjustments were recorded as from this date. Since the credit risk changed significantly during 2009, ABN AMRO recorded the CVA harmonisation impact of Fortis Bank (Nederland) of EUR 22 million net of tax as a 2009 income statement adjustment. The remaining items are adjusted in opening equity. ABN AMRO has concluded that in general the harmonisation adjustments did not have a material impact on the financial statements of the Group.

1.6 Changes in accounting policies

IAS 24 Related Party Disclosures

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. ABN AMRO has used the early-application option of the partial exemption in paragraph 25-27 for government-related entities.

IFRS 3 Business combinations

The International Accounting Standards Board published a revised IFRS 3 'Business Combinations' and related revisions to IAS 27 'Consolidated and Separate Financial Statements' following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. The standards improve convergence with US GAAP and provide new guidance on accounting for changes in interests in subsidiaries. The cost of an acquisition will comprise only consideration paid to vendors for equity; other costs will be expensed immediately. Acquirers will only account for goodwill on acquisition of obtaining control; subsequent changes in interest will be recognised in equity and only on a loss of control will there be a profit or loss on disposal to be recognised in income. The changes are effective for accounting periods beginning on or after 1 July 2009. The revised IFRS 3 and the amendments to IAS 27 apply prospectively to acquisitions made on or after 1 January 2010, and have no significant effect on these consolidated financial statements.

Improvements to IFRSs

Amendments resulting from improvements to IFRSs to the following standards did not have a material impact on the accounting policies, financial position or performance of ABN AMRO during this financial year:

- ▶ IFRS 2 Share-based Payment;
- ▶ IAS 1 Presentation of Financial Statements;
- ▶ IAS 17 Leases;
- ▶ IAS 38 Intangible Assets;
- ▶ IAS 39 Financial Instruments: Recognition and Measurement;
- ▶ IFRIC 9 Reassessment of Embedded Derivatives.

1.7 Future accounting standards and interpretations

Standards issued but not yet effective up to the date of issuance of the ABN AMRO financial statements are listed below. This listing comprises standards and interpretations issued, which the bank reasonably expects to be applicable at a future date with the knowledge of today. ABN AMRO intends to adopt the below standards when they become effective and have been endorsed by the European Union.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such

rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the bank after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. However, IFRS 9 has not been endorsed by the European Union. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the bank's financial assets and liabilities. ABN AMRO is currently assessing the impact of adopting IFRS 9 Classification and Measurement.

IFRIC 14 Prepayments of a minimum funding requirement

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of ABN AMRO.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this value cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of ABN AMRO.

Improvements to IFRSs

In May 2010 the IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards, which were endorsed on 18th February 2011. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below.

- ▶ IFRS 7 Financial Instruments: Disclosures;
- ▶ IAS 1 Presentation of Financial Statements;
- ▶ IAS 27 Consolidated and Separate Financial Statements;
- ▶ IFRIC 13 Customer Loyalty Programmes.

In October 2010 IFRS 7 Financial Instruments: Disclosures has been amended to enhance the derecognition disclosure requirements for transfer transactions of financial assets.

The European Union has not yet endorsed the October 2010 IFRS 7 amendments. ABN AMRO however, expects no significant impact from the adoption of the amendments on its financial position or performance.

1.8 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgement in the process of applying ABN AMRO's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those judgemental decisions and estimates. The most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are as follows:

Impairment losses on loans and receivables

Allowances for loan losses are made on outstanding loans for which it is doubtful if the borrower is able to repay the principal and/or the interest. The allowances for loan losses is intended to adjust the value of ABN AMRO's loan assets for incurred credit losses as of the balance sheet date. Allowances are determined through a combination of specific reviews, statistical modelling and estimates, i.e. on the basis of the ABN AMRO's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Allowances against a given loan or portfolio may be released where there is improvement in the quality of the loan or portfolio.

Certain aspects require judgement, such as the identification of loans that are deteriorating, the determination of the probability of default, the expected loss, the value of collateral and current economic conditions. The use of different estimates and assumptions could produce different allowances for loan losses, and amendments to allowances may be required in the future, as a consequence of changes in the value of collateral, the amounts of cash to be received or other economic events.

Fair value of financial instruments

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is little subjectiveness in the determination of fair value. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist or valuation models, such as discounted cash flow calculation or Black-Scholes.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and the pricing for such products becomes more or less transparent. Financial markets are sometimes subject to significant stress conditions where steep falls in perceived or actual asset values are accompanied by a severe reduction in market liquidity. In such cases, observable market data may become less reliable or disappear altogether.

Where there is doubt over the reliability of the market data due to either market illiquidity or unavailability, other valuation techniques are used. These alternative techniques would include scenario analysis and discounted cash flow calculations.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. Where inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price.

The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to income at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Subsequent changes in fair value as calculated by the valuation model are reported in income.

Fair values include appropriate adjustments to account for known inadequacies in the valuation models or to reflect the credit quality of the instrument or counterparty. Factors that could affect estimates are incorrect model assumptions, market dislocations and unexpected correlation. We believe our estimates of fair value are adequate. However, the use of different models or assumptions could result in changes in our reported results. For a further discussion on the use of fair values and the impact of applying reasonable possible alternative assumptions as inputs see note 39 to the consolidated financial information.

Pension and post-retirement benefits

Significant pension and post-retirement benefit costs are based on actuarial calculations. Inherent within these calculations are assumptions including: discount rates, salary increases and the expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, the return on assets or other factors.

ABN AMRO determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the benefit obligations. In determining the appropriate discount rate, ABN AMRO considers the interest rates of high-quality corporate bonds that have maturity dates approximating the terms of ABN AMRO's obligations.

Income taxes

ABN AMRO is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise, except to the extent that it arises from: (1) a transaction or event that is recognised directly in equity; or (2) a business combination accounted for as an acquisition.

Deferred tax assets and liabilities are recognised for qualifying temporary differences being temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The future tax benefit of tax losses available for carry forward is recognised as an asset when it is probable that future taxable profits will be available against which losses can be utilised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to taxes levied by the same taxation authority.

Impairment of available-for-sale instruments

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset or on an event since reclassification into available-for-sale from trading have adversely affected the amount or timing of future cash flows from the assets. In case a decline in the fair value of an available-for-sale instrument has been recognised in other comprehensive income and there is objective evidence that the asset is impaired the cumulative loss that have been recognised in the other comprehensive income shall be reclassified from other comprehensive income to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised.

ABN AMRO also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, ABN AMRO evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Assessment of risk and rewards

Whenever ABN AMRO is required to assess risks and rewards, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, ABN AMRO may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks and rewards may ultimately differ.

1.9 Significant accounting policies

Basis of consolidation

The consolidated financial statements of ABN AMRO Group N.V. include the financial statements of the parent and its controlled entities. It incorporates assets, liabilities, revenues and expenses of ABN AMRO Group N.V. and its Group companies.

Non-controlling interest, held by third parties, in both equity and results of Group companies are stated separately in the consolidated financial statement.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO's interest in the enterprise. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Subsidiaries

Subsidiaries are those enterprises controlled by ABN AMRO. Control is deemed to exist when ABN AMRO has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are presently exercisable or convertible are taken into account when assessing whether control exists. Unless, in exceptional circumstances, it can be demonstrated that such ownership does not constitute control. Control also exists when the parent owns one half or less of voting power but has the power to govern the financial and operating policies.

ABN AMRO sponsors the formation of entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other narrow and well defined objectives. Particularly in the case of securitisations, these entities may acquire assets from other ABN AMRO companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO or any of its subsidiaries. Such entities are consolidated in ABN AMRO's financial statements when the substance of the relationship between ABN AMRO and the entity indicates that control is held by ABN AMRO. The financial statements of subsidiaries and special purpose entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Equity attributable to non-controlling interests is shown separately in the consolidated balance sheet as part of total equity. Current period profit or loss attributable to non-controlling interests is presented as an attribution of profit for the year.

Business combinations

ABN AMRO has adopted IFRS 3 (revised) to account for business combinations and IAS 27 (revised) to changes in accounting for non-controlling interests and the loss of control of a subsidiary. All items of consideration transferred by ABN AMRO are measured and recognised at fair value, including contingent consideration, as of the acquisition date. Transaction costs, other than those associated with the issuance of debt and equity securities, incurred by the acquirer in connection with the business combination do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets (including certain contingent liabilities) acquired is recorded as goodwill. In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value of the

previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Equity accounted investments

Equity accounted investments comprises associates and joint ventures. Associates are those enterprises in which ABN AMRO has significant influence (this is generally assumed when ABN AMRO holds between 20% and 50% of the voting rights), but not control, over the operating and financial policies. Joint ventures are contractual agreements whereby ABN AMRO and other parties undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures including ABN AMRO's strategic investments, are accounted for using the net equity method and presented as Equity accounted investments. Under this method the investment is initially recorded at cost and subsequently increased (or decreased) for post acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. ABN AMRO's share of profit or loss of the investee is recognised and separately disclosed in ABN AMRO's income statement. When ABN AMRO's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except to the extent that ABN AMRO has incurred obligations or made payments on behalf of the investee. The equity method is discontinued from the date joint control or significant influence ceases to exist. Investments in associates of a private equity nature are designated to be held at fair value with changes through income, consistent with the management basis for such investments.

Equity investments held without significant influence which are not held for trading or not designated at fair value through income are classified as available-for-sale.

Segment reporting

Operating segments are the segments that engage in business activities from which ABN AMRO earns income and incurs expenses. These segments are the reporting segments whose operating results are reviewed by the Managing Board on a monthly basis and for which discrete financial information is available.

The amounts reported are the same as those measures used by the Managing Board for determining resource allocation and for assessing performance. Eliminations include intersegment revenues, expenses and reconciling differences between management reporting and the financial statements.

Geographical data is presented annually according to the location of the transacting Group entity.

Foreign currency

The consolidated financial statements are stated in euros, which is the functional currency of ABN AMRO.

Foreign currency differences

The financial performance of ABN AMRO's foreign operations, conducted through branches, subsidiaries, associates and joint ventures, is reported using the currency ('functional currency') that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

The assets and liabilities of foreign operations, including goodwill and purchase accounting adjustments, are translated to ABN AMRO's presentation currency, the euro, at the foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to the euro at the rates prevailing at the end of the month. Currency translation differences arising on these translations are recognised directly in equity ('currency translation reserve').

Exchange differences arising on monetary items, borrowings and other currency instruments, designated as hedges of a net investment in a foreign operation, are recorded in equity (under 'currency translation reserve') in the consolidated financial statements, until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the income statement.

Transactions in a currency that differs from the functional currency of the transacting entity are translated into the functional currency at the foreign exchange rate at transaction date. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets accounted for at cost and denominated in foreign currency are translated to the functional currency.

Non-monetary assets accounted for at fair value in a foreign currency are translated to the functional currency using the exchange rate at the date when the fair value was determined.

Currency translation differences on all monetary financial assets and liabilities are included in foreign exchange gains and losses in trading income. Translation differences on non-monetary items (such as equities) held at fair value through profit or loss are also reported through income and, for those classified as available-for-sale, directly in equity within Net unrealised gains and losses on available-for-sale assets.

Fiduciary activities

ABN AMRO commonly acts as trustee and in other fiduciary capacities that entail either the holding or placing of assets on behalf of individuals, trusts or other institutions. These assets are not assets of ABN AMRO and are therefore not included in these financial statements.

Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest-bearing instruments (whether classified as held-to-maturity, available-for-sale, held at fair value through profit or loss or non-trading derivatives) on an accrual basis using the effective interest rate method including the value adjustments to the carrying

amount of the hedged item related to the termination of a fair value hedge of interest risk.

The application of the effective interest rate method includes the amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. This item does not include interest income and expense in relation to trading balances which is included within net trading income.

Fee and commission income

Fees as integral part of effective interest rate

Fees and commissions generated as an integral part of negotiating and arranging a funding transaction with customers, such as the issuance of loans are included in the calculation of the effective interest rate and are included in interest income and expense.

Fees recognised as services are provided

Service fees are typically recognised on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

Fees recognised upon completion of the underlying transaction

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the relevant criteria have been met.

Service fees are typically recognised on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

Net trading income

Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income, dividends received from trading instruments as well as related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in ABN AMRO's credit spreads where it impacts the value of ABN AMRO's trading liabilities. The charge related to the write-off of trading instruments is included in trading income.

Results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of hedging programmes, the change in fair value of derivatives used to hedge credit risks that are not included in hedge accounting relationships, fair value changes relating to assets and liabilities designated at fair value through income and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss it includes changes in ABN AMRO credit spreads. Dividend income from non-trading equity investments, excluding associated companies is recognised when entitlement is established.

Financial assets and liabilities

ABN AMRO classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Classification of financial assets

Financial assets can be classified as assets held for trading, investments, loans and receivables - banks and loans and receivables - customers.

The measurement and income recognition in the income statement depend on the classification of the financial assets, being: (a) loans and receivables; (b) held-to-maturity investments; (c) financial assets at fair value through profit or loss and (d) available-for-sale financial assets. This classification determines the measurement and recognition as follows:

- ▶ loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a customer with no intention of trading or selling the loan;
- ▶ held-to-maturity investments are non derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement;
- ▶ financial assets at fair value through profit or loss include:
 - ▶ financial assets held for trading;
 - ▶ irrevocably designated financial assets at initial recognition as held at fair value through profit or loss, because:
 - the host contract includes an embedded derivative that would otherwise require separation. This applies to certain structured notes issued with hybrid features. Fair value measurement helps to achieve offset against changes in the value of derivatives and other fair value positions used to economically hedge these notes;
 - it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise. In this regard unit-linked investments held for the account and risk of policyholders and the related obligation to policyholders are designated at fair value with changes through profit or loss;
 - it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.

- ▶ available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to maturity investments, or financial assets designated at fair value through profit or loss.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings.

The measurement and recognition in the income statement depends on the classification of the financial liabilities, being: (a) financial liabilities at fair value through profit or loss, and (b) other financial liabilities. This classification determines the measurement and recognition in the income statement as follows:

- ▶ financial liabilities at fair value through profit or loss include:
 - ▶ financial liabilities held for trading;
 - ▶ financial liabilities that ABN AMRO has irrevocably designated at initial recognition as held at fair value through profit or loss, because:
 - the host contract includes an embedded derivative that would otherwise require separation. This applies to certain structured notes issued with hybrid features. Fair value measurement helps to achieve offset against changes in the value of derivatives and other fair value positions used to economically hedge these notes;
 - it eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”);
 - it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.
- ▶ other financial liabilities are initially measured at fair value (including transaction costs).

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- ▶ acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ▶ part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- ▶ a trading derivative (except for a derivative that is a designated and effective hedging instrument).

Recognition and derecognition

Traded instruments are recognised on trade date, defined as the date on which ABN AMRO commits to purchase or sell the underlying instrument. In the infrequent event when settlement terms are non-standard, the commitment is accounted for as a derivative between trade and settlement date. Loans and receivables are recognised when they are acquired or funded by ABN AMRO and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with ABN AMRO. Other financial assets and liabilities, including derivatives, are recognised in the balance sheet when ABN AMRO becomes party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when ABN AMRO loses control and the ability to obtain benefits over the contractual rights that comprise that asset.

This occurs when the rights are realised, expire, substantially all risk and rewards are transferred, or not substantially all risk and rewards are transferred nor retained, although control is transferred. If a servicing function is retained, which is profitable, a servicing asset is recognised.

Financial instruments continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and returns and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

ABN AMRO is mainly involved in securitisations of own originated assets like various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interest. In many cases these retained interests convey control, such that the SPE is consolidated, and the securitised assets continue to be recognised in the consolidated balance sheet.

ABN AMRO has protected assets through synthetic securitisations. Through a synthetic securitisation a substantial part of the credit risk related to these assets is transferred, while actual ownership of the assets remains with ABN AMRO. Additionally, ABN AMRO participates in various mortgage-related transactions in The Netherlands that have been conducted without the involvement of an SPE. In these transactions derecognition criteria are not fully met and the entire asset continues to be recognised in the consolidated balance sheet.

A financial liability is derecognised when the obligations specified in the contract are discharged, cancelled or expired. ABN AMRO derecognises financial liabilities when settled or if ABN AMRO repurchases its own debt. The difference between the former carrying amount and the consideration paid is included in results from financial transactions in income. Any subsequent resale is treated as a new issuance.

Measurement

All trading instruments and financial assets and liabilities designated at fair value through profit and loss are measured at fair value, with transaction costs related to the purchase as well as fair value changes taken to income directly.

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where ABN AMRO's own credit risk would be considered by market participants. Exchange traded own debt at fair value through profit or loss is valued against market prices.

The fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in equity, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest-earning available-for-sale assets are amortised to income on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired the cumulative gain or loss recognised in equity is transferred to results from financial transactions in income.

All other financial assets and liabilities are initially measured at fair value including directly attributable incremental transaction costs. They are subsequently valued at amortised cost using the effective interest rate method.

Through the use of the effective interest rate method, premiums and discounts, including qualifying transaction costs, included in the carrying amount of the related instrument are amortised over the period to maturity or expected prepayment on the basis of the instrument's original effective interest rate. When available, fair values are obtained from quoted market prices in active liquid markets. For instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques, including reference to similar instruments for which market prices do exist or valuation models, such as discounted cash flow or Black-Scholes. ABN AMRO refines and modifies its valuation techniques as markets and products develop and the pricing for individual products becomes more transparent.

Valuation models are validated prior to use by employees independent of the initial selection or creation of the models. Wherever possible, inputs to valuation models represent observable market data from reliable external data sources. Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data.

Where significant inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to income at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Subsequent changes in fair value as calculated by the valuation model are reported in income.

Fair values include appropriate adjustments to account for known inadequacies and uncertainties in valuation models or to reflect the credit quality of the instrument or counterparty.

The change in fair value of notes designated at fair value through income attributable to changes in credit risk are calculated by reference to the credit spread implicit in the market value of ABN AMRO's senior notes.

Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Reclassifications

Derivatives are not reclassified into and out of the fair value through profit or loss category whilst they are held or issued. Financial instruments designated at fair value through profit or loss upon initial recognition are not reclassified out of that category. Non-derivative financial assets classified as held for trading upon initial recognition, if they are no longer held for the purpose of selling or repurchasing in the near term, may be reclassified out of the fair value through profit or loss category if certain requirements are met. No financial instrument may be reclassified into the fair value through profit or loss category after initial recognition.

Impairment of available-for-sale instruments

Securities classified as available-for-sale investments are assessed at each reporting date whether they are impaired. This review considers factors such as any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged, and the credit standing and prospects of the issuer. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset or an event since reclassification into available-for-sale from trading have adversely affected the amount or timing of future cash flows from the assets. If any objective evidence exists for available-for-sale debt investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in net result - is removed from equity and recognised in the income statement within Results from financial transactions. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is moved from equity and recognised in the income statement within results from financial transactions. Impairment losses recognised on equity instruments can never be reversed through the profit or loss account.

Loans and receivables from banks and customers**Classification**

Loans and receivables from banks and customers include loans originated by ABN AMRO, by providing money directly to the borrower or to a sub-participation agent and loans purchased from third parties that are carried at amortised cost. Debt securities acquired on the primary market directly from the issuer are recorded as loans, provided

there is no active market for those securities. Loans that are originated or purchased with the intent to be sold or securitised in the short-term are classified as assets held for trading.

Measurement

Incremental costs incurred and loan origination fees earned that are directly attributable to the acquisition or disposal of a loan are carried at amortised cost. Incremental costs and fees are amortised using the effective interest method.

Impairment of loans and receivables

An indication that a loan may be impaired is obtained through ABN AMRO's credit review processes, which include monitoring customer payments and regular loan reviews depending on the rating of the facility.

ABN AMRO first assesses whether objective evidence of impairment exists for loans (including any related facilities and guarantees) that are individually significant, and individually or collectively for loans that are not individually significant. If ABN AMRO determines that no objective evidence of impairment exists for an individually assessed loan, it includes the asset in a portfolio of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are evaluated individually for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the income statement line loan impairment and other credit risk provisions. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that are likely to result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Future cash flows of a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the portfolio and historical loss experience for loans with credit risk characteristics similar to those in ABN AMRO. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the historical data and to remove the effects of conditions in the historical data that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The impact of changes in estimates and recoveries is recorded in the income statement line Loan impairment and other credit risk provisions. Allowances against a given portfolio may be released where there is improvement in the quality of the portfolio.

Following impairment, interest income is recognised using the original effective interest rate. When a loan is deemed no longer collectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are credited to the income statement line loan impairment and other credit risk provisions. Assets acquired in exchange for loans to achieve an orderly realisation are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset, initially booked at fair value.

Although the decrease in estimated future cash flows from a portfolio of loans cannot yet be identified with the individual loans in the portfolio, there may be indications that there is a measurable decrease. These include adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults in the portfolio. This is dealt with through an allowance for incurred but not identified losses.

Renegotiated loans

Where possible, ABN AMRO seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the items have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Transactions with professional counterparties

Transactions with professional counterparties consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected on the balance sheet unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and receivables) or received (due to banks or customers). The market value of the securities borrowed and lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (sales) of investments with agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

Hedge accounting

ABN AMRO uses derivative instruments to manage exposures to interest rate risk, foreign currency risk and credit risk, including exposures arising from forecast transactions. ABN AMRO applies fair value, cash flow or net investment hedging to qualifying transactions that are documented as such at inception. The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risk being hedged (the "hedged risk") is typically changes in interest rates or foreign currency rates. ABN AMRO also enters into credit risk derivatives (sometimes referred to as 'credit default swaps') for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item, by assessing and measuring whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument.

Hedge ineffectiveness is represented by the following:

- ▶ the amount by which the changes in the fair value of the derivative are different from changes in the fair value of the hedged item in a fair value hedge;
- ▶ the amount by which the changes in the cash flows of the derivative are in excess of the expected future cash flows of the hedged item in a cash flow hedge; or
- ▶ the amount by which the changes in the fair value of the hedged instrument are in excess of change in the value of a net investment in a foreign hedge.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in income. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Adoption of EU carved out version of IAS 39

Macro fair value hedging implies that a group of financial assets is reviewed in combination and jointly designated as the hedged item. Although the portfolio may, for risk management purposes, include assets and liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at the designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro fair value hedging, ABN AMRO uses the 'carved out' version of IAS 39 as adopted by the European Union which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. In this context, the impact of changes in the estimates of the repricing dates is only considered ineffective if it leads to under-hedging.

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of recognised or committed assets or liabilities, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the income statement, typically within results from financial transactions. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged asset or liability is amortised to income over the original designated hedging period, or taken directly to income if the hedged item is sold, settled or impaired.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from recognised assets, liabilities or anticipated transactions, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. Hedge effectiveness for cash flow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cash flow in the cash flow hedge. Any ineffective part of the cash flow hedge is recognised in the profit and loss account immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gain or loss recognised in equity is transferred to the income statement at the time when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

Hedge of a net investment in a foreign operation

ABN AMRO uses foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in equity, insofar as they are effective.

The cumulative gain or loss recognised in equity is transferred to the income statement on the disposal of the foreign operation.

Forecasted transactions

When the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of that non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur, hedge accounting is discontinued prospectively. If the hedged forecasted transactions or firm commitments are no longer expected to occur, the amounts deferred in equity are transferred to the income statement directly.

Other receivables

Other receivables arising from the normal course of business and originated by ABN AMRO are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less impairments.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any amount for impairment. If an item of property and equipment is comprised of several major components with different useful lives, each component is accounted for separately. Additions and subsequent expenditures (including accrued interest) are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. Expenditure incurred to replace a component of an asset is separately capitalised and the replaced component is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefit of the item of property and equipment. All other expenditure, including maintenance, is recognised in the income statement as incurred. When an item of property and equipment is retired or disposed, the difference between the carrying amount and the disposal proceeds net of costs is recognised in other operating income. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and major components that are accounted for separately. ABN AMRO generally uses the following estimated useful lives:

- ▶ land not depreciated;
- ▶ buildings 25 to 50 years;
- ▶ equipment 5 to 12 years;
- ▶ leasehold improvements 10 to 25 years;
- ▶ computer installations 2 to 5 years.

Depreciation rates and residual values are reviewed at least annually to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Intangible assets**Goodwill**

Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. If the recognition of the assessed fair value of acquired assets and liabilities at the time of acquisition took place on the basis of provisional amounts, any changes in the assessed fair value of acquired assets and liabilities at the time of acquisition identified within one year following the acquisition are corrected against goodwill. Any revisions identified after one year are recorded in income. Goodwill on the acquisition of equity accounted investments is included in the carrying amount of the investment. Gains and losses on the disposal of an entity, including equity accounted investments, are determined as the difference between the sale proceeds and the carrying amount of the entity including related goodwill and any currency translation

differences recorded in equity. Goodwill is not amortised but is subject to an annual test for impairment or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

Software

Costs that are directly associated with identifiable software products that are controlled by ABN AMRO, and likely to generate future economic benefits exceeding these costs, are recognised as intangible assets and stated at cost less accumulated amortisation and any adjustment for impairment losses. Expenditure that enhances or extends the performance of computer software beyond its original specification is recognised as a capital improvement and added to the original cost of the software. Software is amortised over a period of three years unless the software is classified as core application software. This software is valued at cost and depreciated over its estimated useful lifetime set at a maximum of seven years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by ABN AMRO are stated at cost less accumulated amortisation and any adjustment for impairment losses. Other intangible assets are comprised of separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. Amortisation is charged to the income statement systematically over the estimated useful life of the intangible asset. In general the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

Impairment of non-financial assets

Property, equipment and intangibles are assessed at each balance sheet date or more frequently, to determine whether there is any indication of impairment. If such an indication exists, the assets are subject to an impairment review. Regardless of any indications of potential impairment, the carrying amount of goodwill is subject to a detailed impairment review at least annually. An impairment loss is recognised whenever the carrying amount of an asset that generates largely independent cash flows or the cash-generating unit to which it belongs exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. When conducting impairment reviews, particularly for goodwill, cash-generating units are the lowest level at which management monitors the return on investment on assets.

The impairment analysis of goodwill and other intangibles requires management to make subjective judgements concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine. Events and

factors that may significantly affect the estimates include, among others, competitive forces, customer behaviours and attrition, changes in revenue growth trends, cost structures and technology, changes in discount rates and specific industry or market sector conditions.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. An impairment loss with respect to goodwill is not reversible. Other impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Leasing

As lessee: most of the leases that ABN AMRO has entered into are classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. When it is decided that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub-leasing income) is recognised as an expense. If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised.

As lessor: assets subject to operational leases are included in property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value. Leases where ABN AMRO transfers substantially all the risks and rewards resulting from ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, using the implicit interest rate, including any guaranteed residual value, is recognised. Finance lease receivables are included in loans and receivables to customers.

Non-current assets held for sale and discontinued operations

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held for sale assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held for sale are separately presented. Businesses that may be transferred to shareholders by means of a distribution will not be presented as businesses held for sale. The results of discontinued operations (an operation held for sale that represents a separate major line of business or a geographical area of operation) are presented in the income statement as a single amount comprising the net results of the discontinued operations and the after tax gain or loss realised on disposal. Corresponding income statement data is re-presented if in the current period an activity qualifies as a discontinued operation and qualifies for separate presentation.

Provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement costs expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is responsible to pay upon default of payment.

Pension and other post-retirement benefits

For employees in the Netherlands and the majority of staff employed outside the Netherlands, pension or other retirement plans have been established in accordance with the regulations and practices of the countries in question. Separate pension funds or third parties administer most of these plans. The plans include both defined contribution plans and defined benefit plans. In the case of defined contribution plans, contributions are charged directly to the income statement in the year to which they relate.

The net obligations under defined benefit plans are regarded as ABN AMRO's own commitments regardless of whether these are administered by a pension fund or in some other manner. The net obligation of each plan is determined as the difference between the present value of the defined benefit obligations and the fair value of plan assets, together with adjustments for unrecognised past-service costs.

Pension obligations

Defined benefit plan pension commitments are calculated by independent actuaries in accordance with the projected unit credit method of actuarial cost allocation. Under this method, the present value of pension commitments is determined on the basis of the number of active years of service up to the balance sheet date and the estimated employee salary at the time of the expected retirement date, and is discounted using the market rate of interest on high-quality corporate bonds.

Pension costs for the year are established at the beginning of the year based on the expected service and interest costs and the expected return on the plan assets, plus the impact of any current period curtailments or plan changes. Differences between the expected and the actual return on plan assets, as well as actuarial gains and losses, are only recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting year exceed 10% of the greater of the commitments under the plan and the fair value of the related plan

assets. The part in excess of 10% is recognised in income over the expected remaining years of service of the employees participating in the plans. Differences between the pension costs determined in this way and the contributions payable are accounted for as provisions or prepayments. Commitments relating to early retirement of employees are treated as pension commitments.

The impact of any plan amendment is broken down into elements which relate to past service (for example, accrual rate) and elements which are dependent on future service (such as the impact of future salary increases included in the defined benefit obligation) having bifurcated the plan amendment into mutually exclusive past and future service elements, negative past service cost or curtailment accounting treatment is applied for the respective elements.

Net cumulative unrecognised actuarial gains and losses for defined benefit plans exceeding the corridor (greater than 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets) are recognised in the income statement over the average remaining services lives of the employees.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the past service cost is recognised immediately in the income statement.

Assets that support the pension liabilities of an entity must meet certain criteria in order to be classified as 'qualifying pension plan assets'. These criteria relate to the fact that the assets should be legally separate from its sponsor or its creditors. If these criteria are not met, the assets are included in the relevant item on the balance sheet (such as financial investments, property and equipment).

If the assets meet the criteria, they are netted against the pension liability. When the fair value of plan assets is netted against the present value of the obligation of a defined benefit plan, the resulting amount could be negative (an asset). In this case, the recognised asset cannot exceed the total of any cumulative unrecognised net actuarial losses and service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Other post-retirement benefits

Some group companies provide post-retirement benefits, like long-term service benefits, discount on banking products and post-retirement healthcare, to their retirees.

The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are valued annually.

ABN AMRO's net obligation with respect to post-retirement benefits is the amount of benefits after retirement that employees have earned in return for their service in current and prior periods. The obligation is calculated by independent qualified actuaries using the projected unit credit method. It is then discounted to its present value and the fair value of any related assets is deducted.

Other liabilities

Obligations to policyholders, whose return is dependent on the return of unit-linked investments recognised in the balance sheet, are measured at fair value with changes through income.

Financial guarantee contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation to reflect revenue recognition principles.

Income taxes

Tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise, unless the tax balance relates to an amount recognised directly in equity. The future tax benefit of tax losses available for carry forward is recognised as an asset when it is probable that these losses can be utilised against future taxable profits.

Deferred tax is also recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, allowances for loan impairment, provisions for pensions and business combinations. The following differences are not provided for: (1) the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries and associates, to the extent that they will probably not reverse in the foreseeable future and the timing of such reversals is controlled by ABN AMRO; (2) initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that this asset can be utilised against future taxable profits.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both, the legal right and the intention to settle on a net basis or to realise the asset and liability simultaneously.

Issued debt and equity securities

Issued debt securities are recorded on an amortised cost basis using the effective interest rate method, unless they are of a hybrid/structured nature and designated to be held at fair value through profit or loss.

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to either deliver cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or at the option of the holder are classified as liabilities. The dividends and fees on preference shares classified as a liability are recognised as interest expense.

Issued financial instruments, or their components, are classified as equity when they do not qualify as a liability and represent a residual interest in the assets of ABN AMRO. Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary. The components of issued financial instruments that contain both liability and equity elements, are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument's initial value the fair value of the liability component.

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

Share capital and other components of equity**Share issue costs**

Incremental costs directly attributable to the issue of new shares or share options, other than on a business combination, are deducted from equity net of any related income taxes.

Preference shares

Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the Company are classified as equity.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective area of the statement of financial position.

Currency translation reserve

The currency translation reserve is comprised of all currency differences arising from the translation of the financial statements of foreign operations net of the translation impact on liabilities or foreign exchange derivatives held to hedge ABN AMRO's net investment. These currency differences are included in income on disposal or partial disposal of the operation.

Available-for-sale reserve

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes, excluding impairment losses

recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is transferred to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, related to hedged transactions that have not yet occurred.

Off-Balance sheet items

Contingencies

Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation.

Commitments

Loan commitments that allow for draw down of a loan within the timeframe generally established by regulation or convention in the market place are not recognised as derivative financial instruments. Loan commitments that are designated as at fair value through profit or loss or where ABN AMRO has a past practice of selling the assets resulting from its loan commitments are recognised on the balance sheet at fair value with the resulting change recognised in the income statement. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on customers. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks, net credit balances on current accounts with other banks with less than three months maturity from the date of acquisition.

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities.

notes to the consolidated income statement

2 Segment reporting

The primary segment information is presented in respect of ABN AMRO Group's business segments. The operating segments are consistent with ABN AMRO Group's management and internal reporting structure.

Interest income is reported as net interest income as management primarily relies on net interest income as a performance measure, not gross income and expense.

ABN AMRO Group is organised on a worldwide basis into two business segments and a support segment:

- ▶ Retail & Private Banking;
- ▶ Commercial & Merchant Banking;
- ▶ Group Functions.

Measurement of segment assets, liabilities, income and results is based on the ABN AMRO accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Retail & Private Banking

Retail Banking serves Mass Retail and Preferred Banking clients. Its mission is to deliver first-class service to both current and prospective clients, thereby creating a profitable and solid business. This mission has been translated into a strategy and service concept designed to meet customers' expectations. ABN AMRO offers a wide variety of banking and insurance products and services through the branch network, online and via contact centres, and through subsidiaries.

ABN AMRO's private banking operations in The Netherlands are conducted under the ABN AMRO MeesPierson label; in Europe and Asia these operations are conducted under the ABN AMRO label or under local brand names such as Neufelize and Delbrück Bettmann Maffei. ABN AMRO MeesPierson and ABN AMRO Private Banking offer private banking expertise and tailor-made wealth management services, including investment advice, financial planning, international estate planning, discretionary portfolio management, standard private banking services and insurance products.

Commercial & Merchant Banking

Commercial & Merchant Banking offers customised financial advice and solutions to Netherlands-based companies including their international operations. Its client base includes business start-ups, small and medium-sized enterprises and larger corporate clients, as well as public institutions, multinationals and institutional investors. Commercial & Merchant Banking is organised along four business activities which serve defined client groups: Business Banking, Corporate Clients, Large Corporates & Merchant Banking, Markets and Marketing & Products, a central unit supporting the business lines.

Group Functions

Group Functions includes activities that do not qualify as a business activity. Group Functions consists of Finance (including ALM/Treasury), Technology Operations & Property Services, Risk Management & Strategy, Integration, Communication & Compliance, Group Audit and the Corporate Secretariat.

Segment information for the year 2010

Income Statement

	(in millions of euros)				2010
	Retail & Private Banking	Commercial & Merchant Banking	Group Functions	Reconciling items ¹⁾	Total
Net interest income	3,430	1,589	-111	-3	4,905
Net fee and commission income	1,156	693	-83		1,766
Net trading income	58	239	4	3	304
Results from financial transactions	12	54	264		330
Share of result in equity accounted investments	81		10		91
Other income ²⁾	28	100	-727		-599
Operating income	4,765	2,675	-643		6,797
Personnel expenses ²⁾	1,070	575	871	330	2,846
General and administrative expenses	749	423	1,191	484	2,847
Depreciation and amortisation of tangible and intangible assets	58	113	268	97	536
Separation and integration-related items	74	10	827	-911	
Intersegment revenues/expenses	945	885	-1,830		
Operating expenses	2,896	2,006	1,327		6,229
Loan impairment and other credit risk provisions	342	518	-23		837
Total expenses	3,238	2,524	1,304		7,066
Operating profit/(loss) before taxation	1,527	151	-1,947		-269
Income tax expenses ²⁾	392	-14	-233		145
Profit/(loss) for the period	1,135	165	-1,714		-414
<i>Attributable to:</i>					
Owners of the company	1,135	165	-1,717		-417
Non-controlling interests			3		3

¹⁾ Segments are stated as they are reviewed by management. Intercompany are shown as external balances in the segments and eliminated as a reconciling item.

²⁾ Excluding the net loss of the EC Remedy, amounting to EUR 812 million, which is recorded as a loss in Other income of 862 million, a tax credit of EUR 33 million and a pension curtailment gain of EUR 17 million in Personnel expenses in the segment Group Functions

Selected statement of financial position

(in millions of euros)		31 December 2010			
	Retail & Private Banking	Commercial & Merchant Banking	Group Functions	Total	
Assets					
Financial assets held for trading	223	24,014	63	24,300	
Loans and receivables - customers	185,782	84,745	5,228	275,755	
Total assets	195,476	147,838	36,285	379,599	
Liabilities					
Financial liabilities held for trading	217	19,602	163	19,982	
Due to customers	125,011	76,679	9,587	211,277	
Total liabilities	192,335	147,608	27,544	367,487	

Segment information for the year 2009

Income Statement

(in millions of euros)					2009
	Retail & Private Banking	Commercial & Merchant Banking	Group Functions	Reconciling items ¹⁾	Total
Net interest income	3,118	1,513	-375	12	4,268
Net fee and commission income	1,067	666	200		1,933
Net trading income	99	87	-35	-12	139
Results from financial transactions	6	27	170		203
Share of result in equity accounted investments	12		82		94
Other income	38	139	535		712
Operating income	4,340	2,432	577		7,349
Personnel expenses	1,079	549	1,019	43	2,690
General and administrative expenses	780	215	1,290	193	2,478
Depreciation and amortisation of tangible and intangible assets	41	72	265	3	381
Separation and integration-related items ²⁾	30	25	255	-310	
Intersegment revenues/expenses	977	756	-1,804	71	
Operating expenses	2,907	1,617	1,025		5,549
Loan impairment and other credit risk provisions	540	872	173		1,585
Total expenses	3,447	2,489	1,198		7,134
Operating profit/(loss) before taxation	893	-57	-621		215
Income tax expenses	250	-81	-228		-59
Profit/(loss) for the period	643	24	-393		274
<i>Attributable to:</i>					
Owners of the company	643	24	-395		272
Non-controlling interests			2		2

Other income for the segment Group Functions consists mainly of the result on the cash settlement of ABN AMRO Capital Finance Ltd and the result on the sale of Fortis Intertrust in 2009.

Selected statement of financial position

(in millions of euros)				31 December 2009
	Retail & Private Banking	Commercial & Merchant Banking	Group Functions	Total
Assets				
Financial assets held for trading	266	19,378	698	20,342
Loans and receivables - customers	187,738	77,749	15,242	280,729
Total assets	195,191	133,739	57,594	386,524
Liabilities				
Financial liabilities held for trading	228	26,157	566	26,951
Due to customers	126,126	61,216	23,406	210,748
Total liabilities	195,191	133,739	48,639	377,569

Geographical segments

(in millions of euros)			2010
	The Netherlands	Other Countries	Total
Net interest income	4,452	453	4,905
Net fee and commission income	1,168	598	1,766
Net trading income	194	110	304
Results from financial transactions	327	3	330
Share of result in equity accounted investments	64	27	91
Other income	-626	27	-599
Operating income	5,579	1,218	6,797
Personnel expenses	2,320	526	2,846
General and administrative expenses	2,342	501	2,843
Depreciation and amortisation of tangible and intangible assets	463	73	536
Intra country revenues/expenses	-2	6	4
Operating expenses	5,123	1,106	6,229
Loan impairment and other credit risk provisions	763	74	837
Total expenses	5,886	1,180	7,066
Operating profit/(loss) before taxation	-307	38	-269
Income tax expenses	84	61	145
Profit/(loss) for the year	-391	-23	-414
<i>Attributable to:</i>			
Owners of the company	-394	-23	-417
Non-controlling interests	3		3

(in millions of euros)			2009
	The Netherlands	Other Countries	Total
Net interest income	4,145	123	4,268
Net fee and commission income	1,665	268	1,933
Net trading income	8	131	139
Results from financial transactions	200	3	203
Share of result in equity accounted investments	87	7	94
Other income	286	426	712
Operating income	6,391	958	7,349
Personnel expenses	2,503	187	2,690
General and administrative expenses	2,329	149	2,478
Depreciation and amortisation of tangible and intangible assets	364	17	381
Operating expenses	5,196	353	5,549
Loan impairment and other credit risk provisions	1,546	39	1,585
Total expenses	6,742	392	7,134
Operating profit/(loss) before taxation	-351	566	215
Income tax expenses	-104	45	-59
Profit/(loss) for the year	-247	521	274
<i>Attributable to:</i>			
Owners of the company	-249	521	272
Non-controlling interests	2		2

3 Acquisitions and divestments of subsidiaries

Assets and liabilities of acquisitions and divestments

The table below provides details on the assets and liabilities resulting from the acquisitions or disposals of subsidiaries at the date of acquisition or disposal.

(in millions of euros)	2010		2009	
	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Cash and balances at central banks		-15		-1
Financial assets held for trading		-744		
Financial investments			170	9
Loans and receivables - banks		-232	1,091	-756
Loans and receivables - customers		-10,512	789	-21
Equity accounted investments	122	-83	53	-34
Property and equipment		-1	3	-68
Goodwill and other intangible assets			4	-23
Accrued income and prepaid expenses		-186	2	-67
Financial liabilities held for trading		-720		
Due to banks		-1,694	38	-29
Due to customers		-8,148	1,664	-683
Issued debt				-29
Provisions		-3		96
Accrued expenses and deferred income		-132	14	-105
Tax liabilities		-3	1	-8
Other liabilities		-27	3	-172
Non-controlling interests		-1		14
Net assets acquired/Net assets divested	122	-1,045	392	-45
Negative goodwill			34	
Result on divestments, gross		-860		99
Less: non-cash items		603		
<i>Cash used for acquisitions/received from divestments:</i>				
Total purchase consideration/Proceeds from sale	-122	788	-426	144
Less: Cash and cash equivalents acquired/divested		-36	1,282	-754
Cash used for acquisitions/received for divestments	-122	752	856	-610

Acquisitions 2010

Several smaller equity accounted investments have been acquired in 2010 (see note 20).

Acquisitions 2009

In 2009 ABN AMRO Bank N.V. acquired part of the private equity portfolio from the unallocated shared assets portfolio of RBS Holding N.V. (formerly known as ABN AMRO Holding N.V.).

In the third quarter of 2009 ABN AMRO Bank N.V. acquired 100% of the shares in ABN AMRO Clearing America LLC for an amount of EUR 99 million. There was negative goodwill of EUR 25 million that has been accounted for in Other income.

Divestments 2010**EC Remedy**

ABN AMRO Bank N.V. and Deutsche Bank AG signed the Share Purchase Agreement (SPA) confirming the agreements reached for the sale of NEW HBU II N.V. and IFN Finance B.V. (the EC Remedy) on 23 December 2009.

The transaction was concluded on 1 April 2010. This sale enabled compliance with the condition set by the European Commission for integration of the Dutch businesses of ABN AMRO Holding acquired by the Dutch State and those of Fortis Bank (Nederland). The total transaction result recorded is a net loss of EUR 812 million of which EUR 862 million in Other income, a tax benefit of EUR 33 million in Income tax expense and a pension curtailment of EUR 17 million in Personnel expenses in the Consolidated income statement. Note 8 contains further disclosure about the composition of this result.

Divestments 2009

The sale of Fortis Intertrust Group closed on 29 December 2009. The realised capital gain on this sale amounted to EUR 81 million and is reported in the Consolidated income statement on the line Other income.

In December 2009 the sale of Fortis ASR Bank N.V. to ASR Verzekeringen N.V. was finalised. This resulted in a gain on sale of EUR 6 million.

4 Net interest income

(in millions of euros)	2010	2009
Interest income	12,952	15,035
Interest expense	8,047	10,767
Net interest income	4,905	4,268

Net interest income increased primarily due to higher revenues of the loan portfolio and client deposits in Retail & Private Banking and Commercial & Merchant Banking. Margins on savings deposits recovered as fixed-rate deposits with a high interest rate (as a result of tight market circumstances) matured in 2009 and were replaced by

short-term variable-rate deposits, which have a lower interest rate. The volume of the mortgage portfolio remained fairly stable, while margins improved.

Interest income

The breakdown of interest income by type of product for the years ended 31 December is shown below.

(in millions of euros)	2010	2009
<i>Interest income from:</i>		
Cash and balances at central banks	102	65
Financial investments available-for-sale	745	665
Loans and receivables - banks	338	1,076
Loans and receivables - customers	10,900	12,088
Other	867	1,141
Total interest income	12,952	15,035

The decrease was mainly driven by the sale under the EC Remedy (Loans and receivables - customers). This is partly compensated by higher interest income on the liquidity buffer.

Cash and balances at central banks increased due to the fact that the regulatory requirements for 2009 were taken care of by RBS N.V.

Loans and receivable - banks decreased due to lower interest income on securities borrowings transactions and the higher position with RBS N.V. in 2009.

The line Other decreased as a result of the interest related to the macro hedges.

The interest on impaired loans amounted to EUR 39 million in 2010 (2009: EUR 70 million).

Interest expense

The breakdown of interest expenses by type of product for the years ended 31 December is shown below.

(in millions of euros)	2010	2009
<i>Interest expenses from:</i>		
Due to banks	592	1,370
Due to customers	3,041	4,422
Issued debt	2,088	2,184
Subordinated liabilities	343	450
Other	1,983	2,341
Total interest expense	8,047	10,767

This decrease was mainly driven by the sale under the EC Remedy (Due to customers) and the shift from fixed-rate deposits with a high interest rate as a result of tight market circumstances to short-term variable-rate deposits.

The decreased interest on subordinated loans was mainly due to the conversion of subordinated loans to equity (see also note 30 Subordinated loans).

The line Other decreased as a result of the interest related to the macro hedge.

5 Net fee and commission income

(in millions of euros)	2010	2009
Fee and commission income	2,550	2,400
Fee and commission expense	784	467
Net fee and commission income	1,766	1,933

Net fee and commission income decreased, mainly driven by an increase in fee and commission expenses in guarantees and commitments as a result of higher fees paid in 2010 to the Dutch State for credit protection and the sale of Intertrust in December 2009 resulting in a decrease of EUR 129 million trust fees. The decrease was partially offset by increased net income from securities and custodian services from ABN AMRO Clearing, which benefited from the acquisition of the US activities and growth in Asia and higher net fees and commissions portfolio management fees in Private Banking, as a result of the recovery of stock markets, resulting in increased Assets under Management.

Fee and commission income

Fee and commission income for the years ended 31 December is specified in the table below.

(in millions of euros)	2010	2009
<i>Fee and commission income from:</i>		
Securities and custodian services	1,095	865
Reinsurance commissions and insurance and investment fees	113	114
Portfolio management and trust fees	437	495
Payment services	583	579
Guarantees and commitment fees	92	93
Other service fees	230	254
Total fee and commission income	2,550	2,400

Securities and custodian services fees increased mainly due to the acquisition of Clearing Chicago LLC USA (ABN AMRO Clearing) in August 2009 and to growth of business in Asia.

The sale of Intertrust in December 2009 resulted in a decrease of EUR 129 million trust fees.

Fee and commission expense

The components of fee and commission expenses for the years ended 31 December are as follows:

(in millions of euros)	2010	2009
<i>Fee and commission expenses from:</i>		
Securities and custodian services	510	288
Reinsurance commissions and insurance and investment fees	19	21
Portfolio management and trust fees	5	5
Payment services	76	70
Guarantees and commitment fees	166	80
Other service fees	8	3
Total fee and commission expense	784	467

The increase in Securities and custodian services is mainly due to the acquisition of ABN AMRO Clearing America LLC.

Guarantees and commitment fees increased due to more fees paid in 2010 to the Dutch State for credit protection (year-on-year difference of EUR 82 million).

6 Net trading income

(in millions of euros)	2010	2009
Interest instruments trading	43	-215
Equity and commodity trading	91	126
Foreign exchange	162	216
Other	8	12
Total net trading income	304	139

The increase was due mainly to higher income from interest instruments trading and lower Credit Value Adjustments losses (counterparty risk related to interest rate derivatives) in Commercial & Merchant Banking.

Foreign exchange trading decreased by EUR 54 million due to a decline in trading derivatives of foreign currency.

7 Results from financial transactions

(in millions of euros)	2010	2009
<i>Net result on the sale of:</i>		
Available-for-sale debt securities	92	102
Available-for-sale equity investments	1	7
Loans and advances		-15
<i>Impairments of:</i>		
Available-for-sale debt securities		-7
Available-for-sale equity investments	-4	
<i>Other net results:</i>		
Other equity investments	49	24
Government bonds	-30	2
Dividends	9	12
Fair value changes in own credit risk and repurchase of own debt	182	59
Net result on risk mitigants	9	-28
Other	22	47
Total result from financial transactions	330	203

In September 2010, ABN AMRO bought back GBP 600 million of the GBP 750 million perpetual subordinated (upper Tier 2) notes in a tender offer. The tender and a release relating to the hedging of this instrument resulted in a pre-tax profit of EUR 175 million, and a decrease of Tier 2 capital of EUR 693 million. In 2009, ABN AMRO bought back own issued covered bonds, realising a result of EUR 59 million.

The 2010 cumulative fair value gain/loss from changes in ABN AMRO's own credit risk on fair value to profit or loss balances amounts to EUR 7 million (2009: EUR 0 million). The method used by ABN AMRO to calculate the gain/loss from change in own credit risk can be found in note 39 Fair value of financial instruments under "Own credit".

Fair value changes of private equity investments held as fair value through profit or loss are included in Other net results for an amount of EUR 34 million.

Net result on risk mitigants comprises the ineffectiveness on the various hedge accounting programmes and the unwinding of capital management-related guarantee transactions. Further disclosure is included in note 40 Hedge accounting.

8 Other income

(in millions of euros)	2010	2009
Insurance activities	-1	-15
Leasing activities	86	85
Disposal of operating activities and equity accounted investments	-860	99
Other	176	543
Total other income	-599	712

Other income includes results from the disposal of equity accounted investments and subsidiaries.

EC Remedy

ABN AMRO Bank N.V. and Deutsche Bank AG signed the Share Purchase Agreement (SPA) confirming the agreements reached for the sale of New HBU II N.V. and IFN Finance B.V. (the EC Remedy) on 23 December 2009. The sale price agreed for the EC Remedy is EUR 700 million. This sale enables compliance with the condition set by the European Commission for integration of the Dutch businesses of ABN AMRO Holding N.V. acquired by the Dutch State and those of Fortis Bank (Nederland) N.V.

The transaction was concluded on 1 April 2010. The total transaction result recorded is a net loss of EUR 812 million. An update of the transaction result was made as per year-end and the amount remained unchanged. This transaction loss includes:

- ▶ a book loss (difference between sale price and book value);
- ▶ a loss resulting from a financial guarantee (the Credit Umbrella) which covers part of the potential credit losses of the portfolio at the time of the closing of the transaction;
- ▶ a loss resulting from a cross liability (New HBU II B.V. remains under Dutch law legally liable for all debts of ABN AMRO and RBS N.V. and vice versa. This so-called cross liability is capped to the equity of the new HBU entity. As part of the sale agreement ABN AMRO has agreed to indemnify Deutsche Bank AG for the risk related to this cross liability for a period of 5 years). ABN AMRO bought a counter guarantee to cover the cross liability related to RBS for the same period of 5 years;
- ▶ transaction-related costs;
- ▶ tax benefits;
- ▶ pension curtailment.

The net loss of the transaction, amounting to EUR 812 million, is recorded as a loss in Other income of EUR 862 million, a tax credit of EUR 33 million in Income tax expense and a pension curtailment gain of EUR 17 million in Personnel expenses.

Credit Umbrella valuation

In 2010 the obligation for the Credit Umbrella has decreased from EUR 343 million to EUR 293 million in line with the general improvement seen in the Dutch economy. This movement is included in Other income and can be explained as follows:

Fee amortisation	-119
Change in expected cash outflow pattern	69
Payments	
Total decrease	-50

ABN AMRO Capital Finance Ltd

In 2009 Other income included a gain of EUR 363 million relating to the cash settlement of 362,511 class A1 ABN AMRO Capital Finance Ltd preference shares.

ABN AMRO Capital Finance Ltd issued non-voting class A1 preference shares for an amount of EUR 450 million in June 1999. On the first call date, 29 June 2009, ABN AMRO Capital Finance Ltd did not exercise the option to convert or redeem the preference shares. Shareholders then had a one-time option to convert their shares into Fortis SA/NV shares. The conversion right was executed for EUR 363 million of the preference shares. As Ageas was unable to issue new shares, the majority of the shares were redeemed in cash, amounting to EUR 363 million. The redemption by Ageas was enforced by ABN AMRO Capital Finance Ltd in a court proceeding. Ageas started legal procedures to obtain compensation from ABN AMRO Capital Finance Ltd or ABN AMRO Bank. For more details, see note 38 Commitments and contingent liabilities.

In the second half of 2009, ABN AMRO Bank N.V. reassessed the tax treatment of the cash settlement of ABN AMRO Capital Finance Ltd, based in Jersey, and concluded that this income should be exempt of tax. On 30 June 2009, a provisional tax expense of EUR 92.4 million was taken into account based on the preliminary assessment made at that time. This tax expense was reversed in the second half of 2009 based on the reassessment.

Additional information can be found in note 30 Subordinated liabilities.

9 Personnel expenses

(in millions of euros)	2010	2009
Salaries and wages	1,901	2,097
Social security charges	232	124
Pension expenses relating to defined benefit plans	118	222
Defined contribution plan expenses	46	44
Other	549	203
Total personnel expenses	2,846	2,690

The pension expenses relating to defined benefit plans decreased due to a positive amount (EUR 116 million) for curtailments of the provision, relating to a decrease in the amount of employees covered by the defined benefit plans (restructuring plan, New HBU II N.V. and RBS N.V.). Note 32 contains further details on post-employment benefits and other long-term employee benefits, including pension costs related to defined benefit plans and defined contribution plans.

Other personnel expenses include medical costs, termination benefits and restructuring costs.

The increase in other personnel expenses was caused mainly by the restructuring provision for personnel of EUR 409 million, included in integration and separation costs.

A new collective labour agreement was agreed in 2010, resulting in the partial release of employee related provisions such as the long-service bonus and the farewell provision which employees receive when they reach their retirement age for a total amount of EUR 25 million. This release is offset by an addition of EUR 26 million to the provision for post-employment benefits on banking products.

In 2009, salaries and wages and social security charges were invoiced from RBS N.V. and are reported on the line Salaries and wages.

10 General and administrative expenses

(in millions of euros)	2010	2009
Operating lease rental expenses and related expenses	156	159
Professional fees	303	281
Marketing and public relations costs	149	166
Information technology costs	825	643
Maintenance and repair expenses	133	123
External staff costs	439	380
Travelling	49	49
Post, telephone and transport	92	99
Other	701	578
Total General and administrative expenses	2,847	2,478

General and administrative expenses include integration and separation costs for specific cost categories. Integration and separation costs amounted to EUR 484 million (2009: EUR 266 million), which are mainly recorded under Information technology costs and External staff costs.

The increase in Information technology costs was mainly related to software (EUR 103 million) and hardware (EUR 59 million).

In 2010 Other included costs for closing offices (EUR 28 million) as part of the restructuring provision and large legal provisions/expenses (total EUR 305 million) relating to international activities conducted in the past by Commercial & Merchant Banking and Retail & Private Banking. Other expenses in 2009 included EUR 95 million in costs incurred for the Dutch Deposit Guarantee Scheme and EUR 50 million of legal provisions and expenses.

The audit fees paid to KPMG are part of the line Professional fees. The audit fees are specified in the table below.

(in millions of euros)	2010	2009
Financial statement audit fees	6	5
Audit related fees	3	1
Tax advisory fees	2	3
Other fees	4	3
Total audit fees	15	12

KPMG was the external auditor for Fortis Bank (Nederland) for 2009. As of 2010 KPMG is the external auditor for ABN AMRO.

11 Depreciation and amortisation

(in millions of euros)	2010	2009
Depreciation on tangible assets		
Land and buildings held for own use	52	51
Leasehold improvements	37	39
Equipment	171	171
Other	5	5
Amortisation on intangible assets		
Purchased software	102	83
Internally developed software	29	23
Other intangible assets	4	2
Impairment losses on tangible assets		
Land and buildings held for own use	12	3
Leasehold improvements	60	
Equipment	9	-1
Impairment losses on intangible assets		
Goodwill	54	
Purchased software		1
Internally developed software	1	4
Total depreciation and amortisation	536	381

The increase in the total depreciation and amortisation in 2010 was due to impairments on land and buildings held for own use and leasehold improvements, as part of the restructuring, included in the integration and separation costs, amounting to EUR 81 million.

The impairment losses on goodwill were recognised in the segments Retail & Private Banking for EUR 21 million, in Commercial & Merchant Banking amounting to EUR 30 million and in the segment Group Functions for an amount of EUR 3 million.

More information on the impairment of goodwill is provided in note 22 Goodwill and other intangible assets.

12 Income tax expenses

(in millions of euros)	2010	2009
Recognised in income statement		
Current tax expenses for the current period	147	-43
Adjustments recognised in the period for current tax of prior periods	-19	-44
Previously unrecognised tax losses, tax credits and temporary differences increasing (reducing) current tax expenses	-2	9
Total current tax expense	126	-78
Deferred tax arising from the current period	-20	5
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	30	7
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	9	7
Total deferred tax expense	19	19
Total income tax expense	145	-59

Profit before taxation includes income items on which no income tax is payable as well as expenses which are not tax deductible.

Reconciliation of the total tax charge

The effective tax rate on the result before tax differs from the theoretical amount that would arise using the statutory tax rate of The Netherlands. The effective rate was -53.9% in 2010 (2009: -27.4%). This difference can be explained as follows:

(in millions of euros)	2010	2009
Profit/(loss) before taxation	-269	215
Applicable tax rate	25.5%	25.5%
Expected income tax expense	-68	55
<i>Increase/(decrease) in taxes resulting from:</i>		
Tax exempt income	98	-82
Share in result of associates and joint ventures	-1	-2
Disallowed expenses	20	-8
Previously unrecognised tax losses and temporary differences	41	47
Write-down and reversal of write-down of deferred tax assets	52	8
Foreign tax rate differential	-23	-94
Adjustments for current tax of prior years	24	-41
Other	2	58
Actual income tax expense	145	-59

Tax-exempt income for 2010 includes the main part of the loss on the sale under the EC Remedy.

The actual income tax expense amounted to EUR -59 million in 2009. The main drivers were tax-exempt income, including the cash settlement of class A1 shares of ABN AMRO Capital Finance Ltd.

Details on tax assets and tax liabilities are available in note 25.

13 Other comprehensive income

(in millions of euros)	31 December 2010	31 December 2009
<i>Other comprehensive income/(expense):</i>		
Currency translation reserve	13	-6
<i>Available for sale financial assets:</i>		
Gains/(losses) arising during the period	218	346
Less: Reclassification adjustments for (gains)/losses included in profit or loss	79	100
Subtotal	139	246
Other comprehensive income/(expense)		28
<i>Cash flow hedging reserve:</i>		
Gains/(losses) arising during the period	99	-202
Less: Reclassification adjustments for (gains)/losses included in profit or loss	105	45
Subtotal	-6	-247
Other comprehensive income/(expense)	146	21
Income tax relating to components of other comprehensive income/(expense)	-4	-47
Other comprehensive income/(expense) for the year, net of taxation	150	68

(in millions of euros)	31 December 2010			31 December 2009		
	Gross amount	Taxation	Net amount	Gross amount	Taxation	Net amount
Currency translation reserve	13	-14	27	-6	2	-8
Available for sale financial assets	139	3	136	246	27	219
Cash flow hedging reserve	-6	7	-13	-247	-76	-171
Other comprehensive income/(expense)				28		28
Other comprehensive income/(expense)	146	-4	150	21	-47	68

notes to the consolidated statement of financial position

14 Cash and balances at central banks

This item includes cash on hand and available demand balances with central banks in countries in which the bank has a presence.

(in millions of euros)	31 December 2010	31 December 2009
Cash on hand and other cash equivalents	580	1,050
Balances with central banks readily convertible in cash other than mandatory reserve deposits	326	3,318
Total cash and balances at central banks	906	4,368

Cash and balances at central banks decreased by EUR 3.5 billion.

Mandatory reserve deposits are recorded in note 17 Loans and receivables - banks.

15 Financial assets and liabilities held for trading

Financial assets held for trading

The table below shows the composition of assets held for trading.

(in millions of euros)	31 December 2010	31 December 2009
<i>Debt securities:</i>		
- Treasury bills	75	
- Government bonds	2,822	985
- Corporate debt securities	813	491
Equity securities	10,497	10,622
Total trading securities	14,207	12,098
Derivatives held for trading		
Over the counter (OTC)	7,998	6,790
Exchange traded	213	332
Total trading derivatives	8,211	7,122
Trading book loans	1,716	1,058
Other assets held for trading	166	64
Total assets held for trading	24,300	20,342

The fair value of assets pledged as security is shown in note 37 Assets pledged as security.

Financial assets held for trading increased by EUR 4 billion as a result of an increase in government bonds in the trading portfolio.

Financial liabilities held for trading

The table below shows the composition of liabilities held for trading.

(in millions of euros)	31 December 2010	31 December 2009
Short security positions	10,584	20,392
<i>Derivative financial instruments:</i>		
Over the counter (OTC)	8,351	6,056
Exchange traded	257	436
Total derivatives held for trading	8,608	6,492
Other liabilities held for trading	790	67
Total liabilities held for trading	19,982	26,951

The financial liabilities held for trading decreased by EUR 7.0 billion, due chiefly to a decline in short term security positions and partly offset by an increase in derivatives held for trading.

Derivatives held for trading

The derivatives held for trading comprise the following:

		(in millions of euros)					
		31 December 2010			31 December 2009		
		Notional amount	Fair values		Notional amount	Fair values	
			Assets	Liabilities		Assets	Liabilities
<i>Interest rate derivatives</i>							
OTC	Swaps	543,592	6,070	6,174	170,823	2,469	2,801
	Forwards	23,665			147		
	Options	27,620	888	854	41,196	1,158	784
Exchange	Futures	41	40	45			
	Options	259					
Subtotal		595,177	6,998	7,073	212,166	3,627	3,585
<i>Currency derivatives</i>							
OTC	Swaps	21,685	82	82	20,222	336	250
	Forwards	52,227	184	217	104,996	774	553
	Options	5,374	20	24	14,385	427	423
Exchange	Futures	339	3				
Subtotal		79,625	289	323	139,603	1,537	1,226
<i>Other</i>							
OTC	Swaps	15,870	138	376	680	39	41
	Forwards	2,082	23	29			
	Options	4,389	579	581	29,455	1,587	1,204
Exchange	Swaps	4					
	Futures	241	1	1			
	Options	3,269	169	211	2,295	332	436
Subtotal		25,855	910	1,198	32,430	1,958	1,681
Other		161	14	14			
Balance as at 31 December		700,818	8,211	8,608	384,199	7,122	6,492
Over the counter (OTC)		696,665	7,998	8,351	381,904	6,790	6,056
Exchange traded		4,153	213	257	2,295	332	436
Total		700,818	8,211	8,608	384,199	7,122	6,492

16 Financial investments

The composition of Financial investments is as follows:

(in millions of euros)	31 December 2010	31 December 2009
<i>Investments:</i>		
- Available-for-sale	19,840	20,154
- Held at fair value through profit or loss	368	618
Total, gross	20,208	20,772
<i>Impairments:</i>		
- on investments available-for-sale	-11	-9
Total impairments	-11	-9
Total financial investments	20,197	20,763

Financial investments decreased by EUR 566 million due to a reduction in the investment portfolio (mainly OECD government bonds) partly offset by increased volumes in the mortgage backed securities portfolio.

Investments available-for-sale

The fair value of ABN AMRO Group N.V.'s available-for-sale investments including gross unrealised gains and losses are as follows:

(in millions of euros)	31 December 2010	31 December 2009
<i>Interest-earning securities</i>		
Dutch government	2,287	2,922
US Treasury and US government	393	
Other OECD government	8,598	11,179
Non OECD government	58	4
Mortgage and other asset-backed securities	3,596	886
Financial institutions	4,270	4,589
Non financial institutions	442	345
Subtotal	19,644	19,925
Equity instruments	196	229
Total	19,840	20,154

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Government bonds detailed by country of origin ¹⁾

The government bonds detailed by country of origin for 2010 and 2009 were as follows as at 31 December:

(in millions of euros)		31 December 2010	
	Gross unrealised gains (losses) and Fair value hedges gains (losses) ²⁾	Impairments	Fair value
Dutch national government	101		2,287
French national government	107		2,001
Belgian national government	38		1,502
Italian national government	-10		1,276
German national government	162		1,306
Great Britain national government	69		939
Austrian national government	113		723
USA national government	18		393
Irish national government	-2		128
Finnish national government	2		102
Greek national government			
Portuguese national government			
Spanish national government			
Other national governments	4		679
Total	602		11,336

No impairment charges were recorded on these Government bonds.

(in millions of euros)		31 December 2009	
	Gross unrealised gains (losses) and Fair value hedges gains (losses) ²⁾	Impairments	Fair value
French national government	84		3,106
Dutch national government	75		2,922
German national government	189		2,863
Italian national government	69		2,109
Great Britain national government	25		870
Belgian national government	25		689
Austrian national government	63		618
Spanish national government	-3		350
Irish national government	5		135
Portuguese national government	1		26
Greek national government			
Finnish national government			
Other national governments	-26		417
Total	507		14,105

¹⁾ Only government exposures and not government guaranteed exposures.

²⁾ Of the total Gross unrealised gains (losses), fair value hedge accounting was applied for an amount of EUR 578 million as at 31 December 2010 (2009: EUR 644 million).

Impairments on investments available-for-sale

(in millions of euros)	2010	2009
Balance as at 1 January	9	10
Increase in impairments	4	
Foreign exchange differences and other adjustments	-2	-1
Balance as at 31 December	11	9

Investments designated at fair value through profit or loss

The following table provides information as at 31 December about the Investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

(in millions of euros)	31 December 2010	31 December 2009
Government bonds	246	356
Private equities and venture capital	122	262
Total investments held at fair value through profit or loss	368	618

In the Commercial & Merchant Banking segment, some investments made by private equity entities of ABN AMRO are measured at fair value through profit or loss, reflecting the business of investing in financial assets to profit from their total return in the form of interest or dividend and changes in fair value. Some other investments with embedded derivatives are also designated at fair value through profit or loss, reducing a potential accounting mismatch.

17 Loans and receivables - banks

(in millions of euros)	31 December 2010	31 December 2009
Interest-bearing deposits	3,152	20,020
Loans and advances	5,379	3,702
Reverse repurchase agreements	2,856	3,102
Securities borrowing transactions	21,162	16,643
Mandatory reserve deposits with central banks	4,187	1,202
Other	4,430	453
Total	41,166	45,122
<i>Less: loan impairment</i>	-49	-60
Loans and receivables - banks	41,117	45,062

The decrease in interest-bearing deposits was impacted by a settlement of EUR 16.4 billion with RBS N.V. following the Legal Separation.

RBS N.V. took care of the mandatory deposit with the Dutch central bank for ABN AMRO in 2009, given the allocation of the businesses between the Consortium partners. Mandatory reserve deposits with central bank are not available for use in the bank's

day-to-day operations. The increase of EUR 3.0 billion is mainly due to activities transferred from RBS N.V. to ABN AMRO.

The increase in Securities borrowing transactions was driven mainly by the new security financing activities which started this year.

The increase in the line Other was mainly due to increased volumes of clearing activities.

Details on loan impairments are provided in note 19 and the Risk section.

18 Loans and receivables - customers

(in millions of euros)	31 December 2010	31 December 2009
Government and official institutions	3,259	4,036
Residential mortgage	161,305	161,205
Fair value adjustment from hedge accounting	2,880	2,411
Consumer loans	14,210	14,258
Commercial loans	82,346	86,405
Reverse repurchase agreements	12,096	4,197
Securities borrowing transactions	2,243	10,622
Financial lease receivables	162	204
Factoring	1,540	1,512
Total	280,041	284,850
Less: loan impairment	-4,286	-4,121
Loans and receivables - customers	275,755	280,729

Loans and receivables - customers decreased by EUR 5.0 billion. Adjusted for the divestment under the EC Remedy, Loans and receivables - customers grew from EUR 270.2 billion to EUR 275.8 billion (increase of EUR 5.6 billion), mainly as a result of growth in the commercial loan portfolio and reverse repurchase agreements of Commercial & Merchant Banking. This increase was partly offset by reduced volumes in securities borrowing transactions, compared with 2009. The majority of Loans and receivables - customers are prime residential mortgages, mainly Dutch, amounting to EUR 161.3 billion at the end of December 2010, almost unchanged compared with year-end of 2009.

Details on loan impairments are provided in note 19 and the Risk section. See note 40 for details on hedge accounting.

Financial lease receivables

Receivables related to financial lease agreements as at 31 December are comprised of:

(in millions of euros)	Minimum lease payments		Present value of the minimum lease payments receivable	
	2010	2009	2010	2009
<i>Gross investment in financial leases:</i>				
Not later than 3 months	2	4	2	4
Later than 3 months and not later than 1 year	9	12	9	12
Later than 1 year and not later than 5 years	135	134	121	119
Later than 5 years	30	69	30	69
Total	176	219	162	204
Unearned finance income	14	15		

19 Loan impairment charges and allowances

Loan provisioning

Both commercial and consumer loans are categorised as programme lending, where provisioning is determined on a portfolio basis or non-programme lending, where loans are assessed on an individual basis. Criteria used are quantitative thresholds and qualitative customer characteristics.

Programme lending

For programme lending, provisioning is applied on a portfolio basis with a provision for each product being determined by loss experience. Examples of the programmes are personal loans, residential mortgages, credit cards, home improvement loans and small and medium-sized enterprises (SME) overdraft facilities.

In general, when interest or principal on a loan is 90 days past due, such loans are classified as non-performing and, as a result the loans are considered impaired.

Allowances against a given portfolio may be released when the quality of the portfolio improves.

Non-programme lending

The status of credit facilities is reviewed every 3 or 6 months, depending on the rating of the facility. Additionally, credit officers continually monitor the quality of the credit facilities, the client and adherence to contractual conditions. Should the quality of a loan or the borrower's financial position deteriorate to the extent that doubts arise over the borrower's ability to meet its contractual obligations, management of the relationship is transferred to the Financial Restructuring & Recovery department (FR&R).

FR&R assesses the amount, if any, of the specific allowances to be made, after taking into account the borrower's financial position and the value of collateral. Specific allowances are partly or fully released when the debt is repaid or expected future cash flows improve due to positive changes in economic or financial circumstances.

Allowance for incurred but not identified losses

In addition to impairment allowances for specific loans or portfolios, ABN AMRO also maintains an allowance to cover undetected impairments existing within loans due to delays in obtaining information that would indicate that losses exist at the balance sheet date. This process includes an estimate by management to reflect current market conditions.

Allowances

(in millions of euros)	Banks	Commercial loans	Consumer loans	Total
Balance as at 1 January 2010	60	3,479	642	4,181
New impairment allowances	7	968	386	1,361
Reversal of impairment allowances no longer required	-16	-379	-85	-480
Recoveries of amounts previously written off		-3	-41	-44
Total loan impairments	-9	586	260	837
Amount recorded in interest income from unwinding of discounting		-23	-9	-32
Currency translation differences	5	28	2	35
Amounts written off (net)	-8	-247	-237	-492
Effect of (de)consolidating entities		-295	-41	-336
Reserve for unearned interest accrued on impaired loans		26	2	28
Other adjustments	1	119	-6	114
Balance as at 31 December 2010	49	3,673	613	4,335

Other adjustments include the impact of discounting expected recoveries of collateral and other cash flows. The approaches have been aligned due to harmonisation of accounting policies and it has been decided to adopt the ABN AMRO approach going forward (see note 1.5).

(in millions of euros)	Banks	Commercial loans	Consumer loans	Total
Balance as at 1 January 2009	30	2,575	508	3,113
New impairment allowances	44	1,467	257	1,768
Reversal of impairment allowances no longer required	-12	-123	-41	-176
Recoveries of amounts previously written off		-6	-1	-7
Total loan impairments	32	1,338	215	1,585
Amount recorded in interest income from unwinding of discounting		-49	-2	-51
Currency translation differences	-2	3		1
Amounts written off (net)		-449	-81	-530
Effect of (de)consolidating entities		-1		-1
Disposals of businesses		6	1	7
Reserve for unearned interest accrued on impaired loans		43		43
Other adjustments		13	1	14
Balance as at 31 December 2009	60	3,479	642	4,181

Impairment

(in millions of euros)	Banks	Commercial		Consumer	Total	
2010			Mortgages	Personal loans	Other consumer	
Individual impairment	49	3,237	109	1	143	3,539
Collective impairment		436	153		207	796
Balance at 31 December	49	3,673	262	1	350	4,335

Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance

	139	6,683	1,244	1	741	8,808
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(in millions of euros)	Banks	Commercial		Consumer	Total	
2009			Mortgages	Personal loans	Other consumer	
Individual impairment	60	2,975	72	1	155	3,263
Collective impairment		504	153		261	918
Balance at 31 December	60	3,479	225	1	416	4,181

Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance

	168	6,382	1,242	1	606	8,399
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20 Equity accounted investments

The activities conducted through joint ventures include cash transfer, insurance, finance and leasing activities. The following table provides an overview of the most significant investments in associates and joint ventures as at 31 December.

(in millions of euros)		31 December 2010	31 December 2009
	% of ownership	Carrying amount	Carrying amount
<i>Joint ventures:</i>			
- Neuflyze Vie	60%	189	150
- Car Carriers Management BV	50%	37	45
- SR Hypotheken			50
<i>Associates:</i>			
- Delta Lloyd ABN AMRO verzekeringen Holding B.V.	49%	262	224
- Debra International Finance Cooperatieve UA	25%	210	210
- Caipora International Finance Cooperatieve UA	25%	107	107
- Equens N.V.	21%	58	44
- Alma Maritime	44%	56	8
- Alcover A.G.	34%	53	
- Safe Ship Inv. Comp. SICAR	49%	24	
- PJW 3000	33%	23	
- Qinvest - AAB NL Shipping Fund	47%	18	
- Cofiloisirs	45%	10	
- Graig MCI Ltd	50%	10	
- European Merchant Services B.V.	49%	10	3
- Edelaar Holding			80
- Private Equity Investments		53	19
- Other		39	35
Total		1,159	975

Neuflyze Vie S.A. is a joint venture whereby the economic activity is subject to joint control.

Impairments on Equity accounted investments

The following table shows the changes in impairments on equity accounted investments.

(in millions of euros)	2010	2009
Balance as at 1 January		-22
Increase in impairments	-11	
Release of impairments		21
Foreign exchange differences and other adjustments		1
Balance as at 31 December	-11	

The majority of the Group's equity accounted investments are regulated entities. Their ability to transfer funds to the Group is therefore subject to regulatory approval.

The consolidated financial information of the joint ventures and associates include the following assets and liabilities, income and expenses, and represent the proportionate share:

(in millions of euros)	2010		2009	
	Associates	Jointly controlled	Associates	Jointly controlled
Assets				
Financial assets held for trading			5	
Financial investments	1,793		1,771	97
Loans and receivables - banks and customers	62		18	240
Property and equipment	401	159		
Accrued income and prepaid expenses	1		12	4
Other assets	3,443	5,563	3,144	89
Total	5,700	5,722	4,950	430
Liabilities				
Financial liabilities held for trading	54			
Due to banks and customers	538	88	591	
Provisions			3	
Other Liabilities	2,851		2,660	22
Total	3,443	88	3,254	22
Total operating income	894	29	745	16
Operating expenses	732	6	647	
Operating profit/(loss)	162	23	98	16
Income tax expense	9		1	
Profit for the period	153	23	97	16

21 Property and equipment

The table below shows the carrying amount for each category of Property and equipment as at 31 December.

(in millions of euros)	31 December 2010	31 December 2009
Land and buildings held for own use	1,000	1,143
Leasehold improvements	110	195
Equipment	530	564
Other	39	35
Total	1,679	1,937

The book value of Property and equipment changed as follows for the years 2010 and 2009.

(in millions of euros)	2010				
	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total
Acquisition costs as at 1 January	2,001	375	1,714	38	4,128
Acquisitions/divestments of subsidiaries					
Additions	11	12	169	4	196
Reversal of cost due to disposals	-8	-65	-136		-209
Transfer from (to) investment property					
Foreign exchange differences	3	3	9	1	16
Other	-160	-2	-7		-169
Acquisition costs as at 31 December	1,847	323	1,749	43	3,962
Accumulated depreciation as at 1 January	-835	-180	-1,149	-3	-2,167
Acquisitions/divestments of subsidiaries				-1	-1
Depreciation expense	-52	-37	-171	-5	-265
Reversal of depreciation due to disposals		37	111		148
Foreign exchange differences	-1	-1	-3		-5
Other	75	3	-4	5	79
Accumulated depreciation as at 31 December	-813	-178	-1,216	-4	-2,211
Impairments as at 1 January	-23		-1		-24
Acquisitions/divestments of subsidiaries					
Increase of impairments charged to the income statement	-12	-60	-9		-81
Reversal of impairments credited to the income statement					
Reversal of impairments due to disposals		26	7		33
Other	1	-1			
Impairments as at 31 December	-34	-35	-3		-72
Property, plant and equipment as at 31 December	1,000	110	530	39	1,679

(in millions of euros)					2009
	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total
Acquisition costs as at 1 January	1,968	504	1,732	112	4,316
Acquisitions/divestments of subsidiaries	13	-4	13	-76	-54
Additions	37	12	232	1	282
Reversal of cost due to disposals	-19	-60	-217		-296
Transfer from (to) investment property					
Foreign exchange differences	3		-1	2	4
Other	-1	-77	-45	-1	-124
Acquisition costs as at 31 December	2,001	375	1,714	38	4,128
Accumulated depreciation as at 1 January	-783	-249	-1,120	-15	-2,167
Acquisitions/divestments of subsidiaries	-12	2	-6	5	-11
Depreciation expense	-51	-39	-175	-1	-266
Reversal of depreciation due to disposals	9	29	115		153
Foreign exchange differences			-1		-1
Other	2	77	38	8	125
Accumulated depreciation as at 31 December	-835	-180	-1,149	-3	-2,167
Impairments as at 1 January	-18	-1	-1		-20
Acquisitions/divestments of subsidiaries	-3				-3
Increase of impairments charged to the income statement	-2				-2
Reversal of impairments credited to the income statement					
Reversal of impairments due to disposals		1			1
Other					
Impairments as at 31 December	-23		-1		-24
Property, plant and equipment as at 31 December	1,143	195	564	35	1,937

The decrease of the Land and buildings held for own use on the line Other is mainly due to the reclassification of bank premises to assets held for sale (see also note 23).

The increase in impairments on the tangible assets is due to bank premises, leasehold improvements and equipment as part of the restructuring.

As lessor

In its capacity as lessor, ABN AMRO leases out various assets, included in Other, under operating leases. Non-cancellable operating lease rentals are as follows:

(in millions of euros)		2010	2009
Not later than 1 year		32	26
Later than 1 year and not later than 5 years		223	200
Later than 5 years		48	80
Total		303	306

During the year ended 31 December 2010, EUR 87 million (2009: EUR 85 million) was recognised as rental income in the income statement and EUR 66 million (2009: EUR 64 million) in respect of directly related expenses.

22 Goodwill and other intangible assets

Goodwill and other intangible assets as at 31 December are as follows:

(in millions of euros)	31 December 2010	31 December 2009
Goodwill	178	231
Purchased software	166	157
Internally developed software	48	69
Other intangible assets	20	15
Total	412	472

Goodwill is tested for impairment at least annually by comparing the recoverable amount to the carrying value. Other intangible assets are amortised in accordance with the expected lives of the assets.

Other intangible assets include intangible assets with definite useful lives, such as concessions, patents, licences, trademarks and other similar rights. In general, software is amortised over a maximum of 7 years and other intangible assets have an expected useful life of 10 years at most.

Internally developed software concerns mainly large-scale administrative and organisational investment projects that introduce or replace an important business platform or model. These internal projects are in their development phase and are capitalised according to IAS 38 Intangible assets.

With the exception of goodwill, ABN AMRO does not have intangible assets with indefinite useful lives.

Changes in goodwill and other intangible assets for the years 2010 and 2009:

(in millions of euros)					2010
	Goodwill	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition costs as at 1 January	237	709	374	17	1,337
Acquisitions/divestments of subsidiaries	-1	-4	-1		-6
Additions		107	10	8	125
Reversal of cost due to disposals		-1			-1
Foreign exchange differences	3	5	1		9
Other		-10			-10
Acquisition costs as at 31 December	239	806	384	25	1,454
Accumulated amortisation as at 1 January		-551	-302	-2	-855
Acquisitions/divestments of subsidiaries		5	1		6
Amortisation expense		-102	-29	-4	-135
Reversal of amortisation due to disposals		1			1
Foreign exchange differences		-4	-1	1	-4
Other		11	-1		10
Accumulated amortisation as at 31 December		-640	-332	-5	-977
Impairments as at 1 January	-6	-1	-3		-10
Divestments of subsidiaries					
Increase in impairments charged to the income statement	-54		-1		-55
Reversal of impairments credited to the income statement					
Other	-1	1			
Impairments as at 31 December	-61		-4		-65
Goodwill and other intangible assets as at 31 December	178	166	48	20	412

(in millions of euros)					2009
	Goodwill	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition costs as at 1 January	272	604	339	2	1,217
Acquisitions/divestments of subsidiaries	-19	20	25	12	38
Additions	4	99	24	4	131
Reversal of cost due to disposals		-7	-7	-1	-15
Foreign exchange differences	-21				-21
Other	1	-7	-7		-13
Acquisition costs as at 31 December	237	709	374	17	1,337
Accumulated amortisation as at 1 January		-468	-279		-747
Acquisitions/divestments of subsidiaries		-13	-7		-20
Amortisation expense		-83	-23	-2	-108
Reversal of amortisation due to disposals		4		1	5
Foreign exchange differences					
Other		9	7	-1	15
Accumulated amortisation as at 31 December		-551	-302	-2	-855
Impairments as at 1 January	-6	-2	-7		-15
Divestments of subsidiaries					
Increase in impairments charged to the income statement		-1	-4		-5
Reversal of impairments credited to the income statement					
Other		2	8		10
Impairments as at 31 December	-6	-1	-3		-10
Goodwill and other intangible assets as at 31 December	231	157	69	15	472

Impairment on goodwill

Impairment testing on goodwill is performed at least annually by comparing the recoverable amount of an asset that generates largely independent cash flows or the cash-generating units (CGU) to their carrying amount. The recoverable amount is determined by the highest of the value in use or fair value less costs to sell. The type of acquired entity determines the definition of the type of CGU. Currently all CGUs are defined at (legal) entity level.

The recoverable amount of a CGU is assessed through a discounted cash flow model of the anticipated future cash flows of the CGU. The key assumptions used in the cash flow model depend on input reflecting various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated. These variables are determined on the basis of management's judgement.

Besides the discount rates stated in the table below, calculation of the value in use was also based on cash flows, projected on past experience, actual operating results and the 5-year budget plan. Cash flows for a further 5-year period were extrapolated using the long-term growth rate mentioned by the CGU.

During 2010 a goodwill amount of EUR 54 million was impaired. For details see the table with Cash generating units with significant goodwill balances below:

(in millions of euros)						2010	2009
Entity	Segment	Method used for recoverable amount	Discount rate (pre tax)	Long term growth rate	Impairments	Goodwill	Goodwill
Delbrück Bethmann Maffei	Retail & Private Banking	Fair value less cost to sell	11.5%	4.0%		64	64
ABN AMRO (Guernsey)	Retail & Private Banking	Value in use	11.5%	1.8%		65	63
Fortis Commercial Finance (Atradius Factoring)	Commercial & Merchant Banking	Value in use	11.5%	2.5%	22	14	36
ABN AMRO Belgian Branche	Retail & Private Banking	Fair value less cost to sell	11.5%	4.0%	20		20
ABN AMRO Commercial Finance Holding	Commercial & Merchant Banking	Value in use				9	9
Fortis Commercial Finance	Commercial & Merchant Banking	Value in use	11.5%	2.2%		9	9
Fortis Factoring	Commercial & Merchant Banking	Value in use	11.5%	2.5%	7		7
ABN AMRO MeesPierson Private & Trust Holding	Retail & Private Banking	Value in use	11.5%	0.0%		6	6
Banque Neuflyze	Retail & Private Banking	Value in use				6	6
Other					5	5	11
Total					54	178	231

Name changes regarding "Fortis" is not yet final for these Cash generating units.

Key assumptions impacting the recoverable amount based on the value in use are the discount rate and long-term growth rate. The values assigned to each key assumption reflect past experience that was modified based on management's expectation for the future and are consistent with external sources of information. The main event that led to the recognition of the impairment losses was driven by the sensitivity to the adverse economic situation. If the discount rate (pre tax) increases, the goodwill of more entities will be impaired.

23 Assets held for sale

As part of the integration of Fortis Bank (Nederland) and ABN AMRO several bank premises and bank shops have been put up for sale. Efforts to sell this property have commenced and the majority of the buildings are expected to be sold by the end of 2011.

At 31 December 2010 the total held for sale amount was EUR 85 million. The held for sale property is valued at the lower of fair value less cost to sell and the carrying value. Consequently a total impairment of EUR 7 million was charged to the income statement for these buildings in 2010.

24 Accrued income and prepaid expenses

The table below shows the components of Accrued income and prepaid expenses at 31 December.

(in millions of euros)	31 December 2010	31 December 2009
Accrued interest income	3,429	2,434
Accrued other income	717	1,087
Prepaid expenses	23	11
Accrued income and prepaid expenses	4,169	3,532

The increase of accrued interest income was due mainly to the start-up of activities in the Commercial & Merchant Banking segment in 2010 which had previously been taken care of by RBS N.V.

25 Tax assets and tax liabilities

The table below summarises the tax position as at 31 December:

(in millions of euros)	31 December 2010		31 December 2009	
	Assets	Liabilities	Assets	Liabilities
Current tax	875	755	507	369
Deferred tax	633	132	537	84
Total	1,508	887	1,044	453

The components of deferred tax assets and deferred tax liabilities as at 31 December are shown below.

(in millions of euros)	Balance sheet		Income statement		Equity	
	2010	2009	2010	2009	2010	2009
<i>Deferred tax assets:</i>						
Assets held for trading (trading securities/derivative financial instruments/other assets held for trading)	334	353	11	583		
Liabilities held for trading (short security sales/derivative financial instruments/other liabilities held for trading)				120		
Investments (Held to maturity/Available for sale)	34	38	-1			24
Investment property		-7		1		
Property and equipment	8		-7	18		
Loans and receivables - customers	1	2	1	30		
Impairments on loans	31	22	-10	10		
Provisions for pensions and post-retirement benefits	14	35	22	222		
Other provisions	1	3	1	15		
Accrued expenses and deferred income	1	2	1	-2		
Derivatives	3		-2		7	-76
Unused tax losses	421	309	-76	-94		
Other	-46	-47	5	44	9	
Gross deferred tax assets	802	710	-55	947	16	-52
Unrecognised deferred tax assets	-169	-173	30	7		
Net deferred tax assets	633	537	-25	954	16	-52
<i>Deferred tax liabilities related to:</i>						
Assets held for trading (trading securities/derivative financial instruments/other assets held for trading)		1		-236		
Liabilities held for trading (short security sales/derivative financial instruments/other liabilities held for trading)				-39		
Investments (Held to maturity/Available for sale)	29	74	-40	-1	3	3
Property and equipment	9	9	-8	1		
Loans and receivables - customers	24	30	-7	-54		
Impairments on loans	17	15		-5	-1	
Issued debt and subordinated liabilities						
Other provisions	8	11		-68		
Deferred policy acquisition costs						
Deferred expense and accrued income	2	2		-48		
Tax exempt realised reserves						
Other	43	-58	99	-485	-22	2
Total deferred tax liabilities	132	84	44	-935	-20	5
Deferred tax expense			19	19	-4	-47
Net deferred tax	501	453				

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts after offsetting in the balance sheet are:

(in millions of euros)	31 December 2010	31 December 2009
Deferred tax asset	633	537
Deferred tax liability	132	84
Net deferred tax	501	453

Deferred tax assets

The total accumulated losses available for carry forward at 31 December 2010 amounted to EUR 2,660 million. With these losses carried forward, future tax benefits of EUR 407 million could be recognised.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which ABN AMRO operates, available tax planning opportunities, and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that ABN AMRO may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact ABN AMRO's financial position and net profit. Deferred tax assets to the extent of EUR 169 million are not recognised because taxable profits are not considered probable.

The maturity for the net positions of unused tax losses and unrecognised deferred tax asset for 2010 within 5 years is EUR 2 million and more than 5 years is EUR 405 million.

Tax exposure to distributable reserves

In accordance with IFRS, provisions for deferred tax were not recorded on the aggregate amount of temporary differences related to undistributed reserves (or undistributed profits) of subsidiaries to the extent of EUR 161 million for 2010 (2009: EUR 115 million).

26 Other assets

Other assets can be specified as follows:

(in millions of euros)	31 December 2010	31 December 2009
Non-trading derivative assets	1,512	822
Unit-linked investments	2,093	1,660
Defined benefit assets	508	173
Reinsurers share, trade and other receivables	1,872	1,684
Balancing temporary amounts between trade date and settlement date	177	1,845
Other	2,150	1,116
Other assets	8,312	7,300

Non-trading derivative assets contain the positive fair value of all derivatives qualifying as hedging instruments in fair value and in cash flow hedges as well as the positive fair value of derivatives related to asset and liabilities designated at fair value through profit or loss. A hedging instrument, for hedge accounting purposes, is a designated derivative, whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates. The hedging strategies are further explained in note 40.

Unit-linked investments are investments on behalf of insurance contracts policyholders who bear the investment risk. For certain contracts minimum guaranteed rates are agreed.

More details on pension plans and related pension assets are provided in note 32.

Reinsurers share, trade and other receivables includes the amount of the receivables purchased by ABN AMRO (the factor) from its client under a contract of non-recourse factoring.

All purchases and sales of financial assets requiring delivery within the timeframe established by regulation or market convention are recognised on the trade date, i.e. the date when ABN AMRO becomes a party to the contractual provisions of the instrument. Other assets contain balancing temporary amounts between trade date and settlement date.

The other assets in 2010 include a net receivable of EUR 585 million on the DSB Bank. This results from an advance payment of EUR 710 million to the Dutch central bank for the deposit guarantee system after deduction of a provision of EUR 125 million for the estimated costs of the deposit guarantee system relating to the bankruptcy of DSB Bank.

27 Due to banks

This item is comprised of amounts due to banking institutions, including central banks and multilateral development banks.

(in millions of euros)	31 December 2010	31 December 2009
<i>Deposits from banks:</i>		
Demand deposits	2,711	1,841
Time deposits	6,743	5,683
Other deposits	2,299	15,519
Total deposits	11,753	23,043
Repurchase agreements	3,473	4,384
Securities lending transactions	3,439	8,487
Advances against collateral	700	
Other	2,171	1,473
Total due to banks	21,536	37,387

Due to banks decreased by EUR 15.9 billion as ECB funding was redeemed in full (mainly under other deposits) and securities lending transactions were significantly reduced.

The movement in advances against collateral concerns positions with trust institutions.

28 Due to customers

This item is comprised of amounts due to non-banking customers.

(in millions of euros)	31 December 2010	31 December 2009
Demand deposits	82,480	85,913
Saving deposits	69,763	67,966
Time deposits	39,522	49,151
Other deposits	544	188
Total deposits	192,309	203,218
Repurchase agreements	16,471	6,621
Securities lending transactions	1,968	566
Other borrowings	529	343
Total due to customers	211,277	210,748

Due to customers rose by EUR 0.5 billion. Excluding the EC Remedy, Due to customers went up from EUR 201.3 billion to EUR 211.3 billion (increase of EUR 10.0 billion) mainly due to an increase in repurchase agreements with clients.

The decrease in demand deposits was mainly due to the sale under the EC Remedy. This impact was partially offset by a shift from Time deposits to Savings deposits year-on-year, a general trend in the market. In addition, EUR 3 billion decreased due to redemption of a long term deposit of the Dutch State.

29 Issued debt

The following table shows the types of Debt certificates issued by ABN AMRO and the amounts outstanding as at 31 December.

(in millions of euros)	31 December 2010	31 December 2009
Bonds and notes issued	69,992	56,296
Certificates of deposit and commercial paper	15,570	14,035
Cash notes, saving certificates and bank certificates	1,029	506
Total issued debt	86,591	70,837

Issued debt showed an increase of EUR 15.8 billion, driven by continued financing initiatives undertaken to further lengthen maturities of wholesale funding and prudent liquidity management.

The main funding programmes can be specified as follows:

(in millions of euros)	31 December 2010	31 December 2009
Saving certificates	667	478
<i>Funding programme:</i>		
Euro Commercial Paper		
- unguaranteed	7,563	4,755
- Dutch State guaranteed		6,300
French Certificats de Dépôt	4,313	2,980
US Commercial paper	3,694	
Medium Term Notes		
- unguaranteed	11,589	1,822
- Dutch State guaranteed	9,000	9,328
Senior Secured Bonds (excl. Asset Backed Securities)	19,727	16,693
Asset Backed Securities		
- Residential Mortgage Backed Securities (Dutch)	26,844	25,773
- Other Asset-backed securities	2,832	2,680
Other	362	28
Total	86,591	70,837

Euro Commercial Paper

This EUR 25 billion funding programme for the issuance of Euro Commercial Paper (ECP) allows for unsecured issuances with maturities up to one year. In 2009 and 2010 this programme also allowed for the issuance of ECP under the Dutch State's EUR 200 billion Credit Guarantee Scheme. The Credit Guarantee Scheme ended on 31 December 2010.

In 2010 no government guaranteed CP was issued. Prior to 31 December 2010, all outstanding guaranteed ECP matured.

French Certificats de Dépôt

This EUR 25 billion funding programme allows for the issuance of unsecured French Certificats de Dépôt (FCD) with maturities up to and including one year, targeting French institutional investors.

US Commercial Paper

To improve diversification of short-term funding sources, this USD 5 billion funding programme was set up to allow ABN AMRO to attract US dollars from local investors in the US. It permits unsecured issuances with maturities up to 270 days. Issuance started in July 2010.

Medium-Term Notes

This programme allows for the issuance of capital securities and medium-term notes in several currencies such as EUR, JPY, CHF and AUD. Due to several transactions, the programme is key in the construction of the credit curve. At 31 December 2009, the amount outstanding in the EMTN programme was EUR 1.8 billion. At 31 December 2010, a total of EUR 11.6 billion was raised through this programme.

Government Guaranteed Bonds

In 2009 the bank publicly and privately issued notes under the Dutch State's EUR 200 billion Credit Guarantee Scheme. Issuance under this programme is not possible as from 2011, as was announced by the Dutch Ministry of Finance at year-end 2010. A total amount of EUR 9.0 billion of State guaranteed notes was outstanding at year-end 2010 (year-end 2009 total amount of EUR 9.3 billion).

Covered bond programme

The bank has a covered bond programme available to attract secured long-term funding. This programme contributes to the diversification of funding instruments and is important in the building of the credit curve. On 31 December 2010, the total amount outstanding of the active covered bond programme was EUR 16.7 billion. At 31 December 2009, the total outstanding was EUR 12.4 billion.

The Senior Secured Bonds mainly consists of covered bonds.

Residential Mortgage Backed Securitisations

Securitisation of mortgages has been a cornerstone of funding mortgage lending in The Netherlands. The public market for RMBS (Residential Mortgage Backed Securitisations) was at a standstill between 2007 and 2009, but picked up again in 2010.

The balance above includes various structured liabilities that have been designated at fair value through profit or loss of EUR 259 million (2009: EUR 103 million).

Financial liabilities designated at fair value through profit or loss

(in millions of euros)	31 December 2010	31 December 2009
Cumulative change in fair value of the structured notes attributable to changes in credit risk	20	13
Change during the year in fair value of the structured notes attributable to changes in credit risk	7	
Difference between the contractual amount at maturity and the carrying amount	16	2

30 Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO Group and its subsidiaries, respectively.

The following table provides a specification of the subordinated liabilities as at 31 December.

(in millions of euros)	31 December 2010	31 December 2009
Liability component of subordinated convertible securities	2,000	2,034
Tier I liabilities to be converted to equity after legal separation		2,600
Other subordinated liabilities	6,085	7,113
Total subordinated liabilities	8,085	11,747

Subordinated liabilities decreased by EUR 3.7 billion, mainly as a result of the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into equity, the buyback of a perpetual subordinated loan (upper Tier 2) of GBP 600 million, and the redemption of the remainder of EUR 87.5 million in outstanding securities of ABN AMRO Capital Finance Limited (previously called Fortis Capital Company Limited, or FCC), a subsidiary of ABN AMRO.

Total subordinated liabilities include EUR 2,799 million (2009: EUR 5,351 million) which qualifies as Tier 1 capital for capital adequacy purposes with the Dutch central bank (DNB), when taking into account remaining maturities.

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.

The MCS is recorded in the balance sheet as at 31 December as follows:

(in millions of euros)	31 December 2010	31 December 2009
Equity component		-131
Liability component		
Balance as at 1 January	2,034	2,070
Issued		
Interest expense	129	139
Interest paid	-163	-175
Balance as at 31 December	2,000	2,034

The following table lists the subordinated liabilities.

(in millions of euros)	31 December 2010	31 December 2009
4.31% perpetual Bermudan callable subordinated tier 1 notes (callable March 2016)	1,049	1,027
Floating rate Bermudan callable subordinated lower tier 2 loans 2015 (callable April 2013)	167	160
Floating rate Bermudan callable subordinated lower tier 2 notes 2016 (callable June 2013)	997	997
Floating rate Bermudan callable subordinated lower tier 2 notes 2017 (callable April 2013)	746	692
Floating Bermudan callable subordinated lower tier 2 notes 2018 (callable May 2013)	498	499
Subordinated loans 2015 (callable June 2013)	499	499
Bermudan callable perpetual subordinated upper tier 2 notes issued for an indefinite period (callable 2016)	188	880
Subordinated loan 2017 (callable April 2013)	1,650	1,650
Floating rate subordinated loans 2017	82	82
Floating rate subordinated lower tier 2 notes 2020	103	103
ABN AMRO Capital Finance Ltd		87
EUR 250 million 6.525% subordinated loan 2010		250
Other loans	106	187
Total other subordinated liabilities	6,085	7,113

Changes in subordinated liabilities are shown below. Redemptions include the EUR 2.6 billion conversion of the Dutch State-held Mandatory Convertible Notes into equity on 1 April 2010.

(in millions of euros)

Balance as at 1 January 2009	12,488
Issuance	2,606
Redemption	-2,975
Other	-372
Balance as at 31 December 2009	11,747
Issuance	
Redemption	-1,151
Conversion mandatory convertible notes into common equity	-2,600
Other	89
Balance as at 31 December 2010	8,085

Perpetual Bermudan Callable

EUR 1 billion in Perpetual Bermudan Callable Capital Securities 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 the 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). This mechanism means that the relevant payment is satisfied from the proceeds of the public or private issue by ABN AMRO Group N.V. of such amount of ordinary shares for cash as required to make the relevant payment. Investors will 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 payment on 10 March 2011 will be paid due to a dividend payment made by RFS Holding N.V. (previously ABN AMRO Holding N.V.) on 1 April 2010.

The Capital Securities are listed and traded on Euronext Amsterdam by NYSE Euronext.

ABN AMRO Capital Finance Ltd (former Fortis Capital Company Ltd)

The ABN AMRO Capital Finance Ltd preference shares were issued in 1999. ABN AMRO Capital Finance Ltd is a wholly-owned subsidiary. On 1 January 2010, and following the cash settlement of 29 June 2009, a number of 87,489 of remaining class A1 preference shares were outstanding with a total nominal value of EUR 87,489,000.

On 1 July 2010, the class A1 preference shares were reclassified from Tier 1 to upper Tier 2 capital. On 16 August 2010 an announcement was made to call for redemption of all remaining outstanding class A1 preference shares on the dividend payment date of 29 September 2010.

Ageas initiated legal proceedings against ABN AMRO Capital Finance Ltd, ABN AMRO Bank N.V. and the Dutch State claiming EUR 363 million compensation which Ageas was liable for on the cash settlement date. These proceedings are pending. In an initial summary hearing on 25 June 2009 the court ruled in favour of all claims against Ageas. ABN AMRO Capital Finance Ltd and ABN AMRO Bank N.V. continue to hold the opinion that Ageas is not entitled to any compensation.

Other subordinated liabilities comprise a loan held by the Dutch State. This loan has an interest rate of 1.935% (EUR 1,650 million) and matures in 2017. During 2010 another loan held by the Dutch State (interest rate of 6.525% (EUR 250 million)) matured. This subordinated loan is also part of the related parties mentioned in note 43.

31 Provisions

The table below shows the breakdown of Provisions as at 31 December.

(in millions of euros)	31 December 2010	31 December 2009
Insurance fund liabilities	378	327
Provision for pension commitments	101	166
Restructuring	378	98
Other staff provision	186	221
Other	673	516
Total provisions	1,716	1,328

Insurance fund liabilities include the actuarial reserves, the premium and claims reserves of insurance companies. The expected cash out flow for 2011 is approximately EUR 45 million and for the period 2012-2015 approximately EUR 70 million.

Restructuring provisions cover the costs of restructuring plans for which implementation has been formally announced. Restructuring provisions are related to the integration and to the further streamlining of the organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses. The restructuring provisions will be used until the end of 2013.

Other staff provisions relate in particular to occupational disability and other benefits, except early retirement benefits payable to non-active employees which are included in Provision for pension commitments.

Other provisions consist mainly of provisions for tax litigations and legal litigation. The tax litigation and legal litigation provisions are based on best estimates available at year-end based on the opinion of legal and tax advisors. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations.

In 2009 Other provisions include a provision for deposit guarantee system regarding the bankruptcy of DSB Bank of EUR 125 million. In 2010 this is included in Other Assets. For details see note 26.

Other provisions includes credit commitments amounting to EUR 33 million.

Provisions for credit commitments are allowances covering credit risk on credit commitments recorded in off-balance sheet items that have been identified individually or on a portfolio basis as impaired. The amount of the impairment is the present value of the cash flows, which ABN AMRO expects to be required to settle its commitment.

Changes in Provisions during the year are as follows:

(in millions of euros)	Restructuring	Other staff provisions	Other	Total
At 1 January 2009	74	201	775	1,050
Acquisition and divestment of subsidiaries	2	33	35	70
Increase of provisions	72	7	251	330
Reversal of unused provisions	-32	-1	-31	-64
Utilised during the year	-44	-5	-14	-63
Accretion of interest	1			1
Foreign exchange differences			1	1
Other	25	-14	-8	3
At 31 December 2009	98	221	1,009	1,328
Acquisition and divestment of subsidiaries		1	19	20
Increase of provisions	480	1	482	963
Reversal of unused provisions	-49		-48	-97
Utilised during the year	-151		-181	-332
Accretion of interest	2	-10		-8
Foreign exchange differences			3	3
Other	-2	-27	-132	-161
At 31 December 2010	378	186	1,152	1,716

Increase in provisions includes litigation expenses/provisions of EUR 305 million for some specific cases. These provisions were partly utilised in 2010.

32 Pension and other post-retirement employee benefits

ABN AMRO Group sponsors a number of pension schemes in The Netherlands and overseas. These schemes include both defined contribution and mainly defined benefit plans. Most of ABN AMRO's defined benefit plans provide pensions that are based on average or final salary with annual price evaluation of vested rights. For The Netherlands there are two major schemes: the ABN AMRO scheme and the Fortis Bank (Nederland) scheme. In general, employees do not make contributions for basic pensions but may make voluntary contributions to secure additional benefits. The Fortis Bank (Nederland) scheme includes some plans that are partly funded by means of employee contributions. The majority of the beneficiaries of the defined benefit plans are located in The Netherlands and Switzerland. Plans in all countries comply with applicable local regulations concerning investments and funding levels.

The separation and integration as well as the sale of the EC Remedy activities affected ABN AMRO's defined benefit pension plan. These transactions resulted in a number of curtailments. Only the employees that were allocated to ABN AMRO will continue to earn benefits in the ABN AMRO scheme. Employees that will continue to work for RBS N.V. (formerly known as ABN AMRO Bank N.V.) will no longer earn their new benefits under the pension scheme of ABN AMRO Group but will participate in a new scheme arranged by RBS N.V. These employees can opt to hold their current rights to receive pension benefits within the ABN AMRO scheme or to transfer these rights to the scheme arranged by RBS N.V. Employees concerned in connection with the sale of the EC Remedy activities to Deutsche Bank A.G. will earn their new pension benefits under a pension scheme arranged by New HBU II N.V. No transfer of rights was agreed as part of this sale transaction.

In addition, as a result of the integration of Fortis Bank (Nederland) N.V. and ABN AMRO Bank, a restructuring programme has been set up leading to a reduction of headcount. This reduction affects ABN AMRO Group's pension scheme as employees who will leave the company will earn no further pension benefits. These occurrences, together with the assumption of the number of employees that will opt to transfer their rights, resulted in changes in ABN AMRO Group's defined benefit scheme and are reflected as curtailments and settlements totalling EUR 116 million. This has an impact on the plan assets and defined benefit obligations. The amounts are recognised in the line item Other.

Employees in the ABN AMRO scheme continue to earn benefits in the ABN AMRO scheme. Employees of the former Fortis Bank (Nederland) N.V. who are now employed by ABN AMRO continue to earn benefits under the Fortis Bank (Nederland) pension scheme.

In the new Collective Labour Agreement effective 1 January 2011, it has been agreed that future rights for all ABN AMRO employee (including former Fortis Bank employees) will accrue in the ABN AMRO scheme. This has resulted in an increase of the unrecognised past service costs of EUR 177 million. This amount is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. The existing overseas pension schemes have not been significantly affected due to the separation and integration.

In addition to pensions, post-employment benefits include other expenses such as reimbursement of part of the health benefits premiums and favourable conditions on financial products, such as mortgage loans, which continue to be granted to employees after retirement.

Amounts recognised in the income statement

(in millions of euros)	2010	2009
Current service cost	208	222
Interest cost	618	614
Expected return on plan assets	-593	-505
Net actuarial losses recognised during the year	9	-17
Past service cost	2	-1
Losses/(gains) on settlements and curtailment	-116	1
Cost attributable to other plan participants		-75
Other	5	-1
Defined benefit plans	133	238
Contribution own employees	-15	-16
Pension expenses relating to defined benefit plans	118	222
Defined contribution plans	46	44
Total Pension expense	164	266

Contribution own employees to the defined benefit pension plans for 2011 is expected to amount to EUR 16 million.

Reconciliation to the statement of financial position

(in millions of euros)	2010	2009
Present value of funded obligations	12,688	11,786
Fair value of plan assets	12,946	11,479
	-258	307
Present value of unfunded obligations	52	124
Unrecognised actuarial gains (losses)	58	-462
Unrecognised past service cost	-259	-6
Net amount recognised at 31 December	-407	-37
Unrecognised assets due to Asset ceiling		
Liabilities for defined obligations to other plan participants		30
Net Defined benefit liabilities (assets)	-407	-7
Provisions for pension commitments	101	166
Less: pension assets	-508	-173
Net Defined benefit liabilities (assets)	-407	-7

Change in defined benefit obligations

(in millions of euros)	2010	2009
Defined benefit obligation as at 1 January	11,910	11,383
Current service cost	208	222
Interest cost	618	614
Actuarial losses (gains) on defined benefit obligation	255	78
Participants' contributions	3	1
Benefits paid	-420	-404
Curtailments/Settlements	-325	
Foreign exchange differences	35	
Other	456	16
Defined benefit obligation as at 31 December	12,740	11,910

The effect of the new pension plan on ex-FBN employees is treated as unrecognised past service costs for an amount of EUR 177 million.

Change in fair value of plan assets

(in millions of euros)	2010	2009
Fair value of plan assets as at 1 January	11,479	10,687
Expected return on plan assets	593	505
Actuarial gains on plan assets	697	157
Employer's contributions	430	468
Participants' contributions		2
Benefits paid	-389	-365
Curtailments/Settlements	-194	
Acquisitions and disposals of subsidiaries	-7	
Foreign exchange differences	28	9
Other	309	16
Fair value of plan assets as at 31 December	12,946	11,479

Principal actuarial assumptions

	2010	2009
Discount rate	5.3%	5.2%
Inflation rate	1.8%	2.0%
Expected return on plan assets as at 31 December	5.0%	5.2%
Future salary increases	2.5%	2.6%

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

(in millions of euros)	2010			2009		
	Amount	Percentage	Expected rate of return	Amount	Percentage	Expected rate of return
Equity securities	3,505	27.1%	6.46%	2,802	24.4%	6.87%
Debt securities	10,331	79.8%	3.46%	8,127	70.8%	3.87%
Real estate	405	3.1%	5.46%	380	3.3%	5.87%
Convertibles				43	0.4%	0.40%
Other	-1,295	-10.0%	2.82%	127	1.1%	3.15%

The negative amount on the line Other is due to the synthetic short cash. This class is made of swaps and the rate of return adopted of 2.82%. This rate is the average return over the past 10 years of the 3-month Euribor, reflecting the long-term return on swaps.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the date of the consolidated statement of financial position. Expected returns on equity and property investments reflect long term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2011 are EUR 448 million (estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) non-cash contributions).

Actuarial gains and losses

(in millions of euros)	2010	2009
Present value of defined benefit obligation	12,740	11,910
Fair value of plan assets	12,946	11,479
Surplus/(deficit) in the plan	206	-431

ABN AMRO Group does not have contingent liabilities as a result of pension plans.

(in millions of euros)	2010	2009
Experience adjustments on plan liabilities, gain	34	240
Experience adjustments on plan assets, gain	700	157
Actual return on plan assets	1,091	659

At 31 December 2010, a provision of EUR 74 million for post-employee benefits relating to healthcare and banking products was recorded (2009: EUR 76 million). This provision is recognised in Other liabilities.

As at 31 December 2010 the ABN AMRO Pension Fund provided loans to ABN AMRO for an amount of EUR 95 million.

33 Accrued expenses and deferred income

The composition of Accrued expenses and deferred income as at 31 December is as follows:

(in millions of euros)	31 December 2010	31 December 2009
Accrued interest expense	4,817	4,282
Accrued other expenses	1,785	1,698
Total	6,602	5,980

Accrued interest expense relates for EUR 1,402 million to interest rate swaps (2009: EUR 1,284 million) and for EUR 987 million to fixed interest rate swaps (2009: EUR 921 million).

Accrued other expenses contains accrued deferred income amounting to EUR 512 million (2009: EUR 196 million).

34 Other liabilities

The composition of Other liabilities as at 31 December is as follows:

(in millions of euros)	31 December 2010	31 December 2009
Non-trading derivative liabilities	4,738	4,866
Liability to unit-linked policyholders	2,093	1,660
Other borrowings	99	113
Sundry liabilities and other payables	3,881	5,499
Total	10,811	12,138

Non-trading derivatives mainly contains the negative fair value of all derivatives qualifying as hedging instruments in fair value and in cash flow hedges as well as the negative fair value of derivatives related to assets and liabilities designated at fair value through profit or loss. The hedging strategies are further explained in note 40.

The line Sundry liabilities and other payables mainly consists of balancing temporary amounts between trade date and settlement date, other employee-benefits liabilities and factoring due to customers. The decrease of this item was also caused by a settlement of an outstanding transaction with the Dutch central bank.

Other liabilities include a loss resulting from a financial guarantee (the Credit Umbrella) of EUR 293 million as part of the sale of the EC Remedy. This accrual covers part of the potential credit losses of the portfolio at the time of closing of the transaction. The cover is capped to an amount in euros equal to 10% of the notional amount of the referenced credit portfolio as per 1 April 2010.

The Credit Umbrella covers part of potential credit losses on the portfolio that existed at the time of closing, i.e. 1 April 2010.

The portfolio covered by the Credit Umbrella will amortise overtime. ABN AMRO expects around 40% of the notional to be amortised by the end of the first year.

ABN AMRO estimated the potential loss under the Credit Umbrella based on fair value. Basel II data such as probability of default, exposure at default and loss given default were used. Based on these parameters, expectations for future periods were developed. The guarantee fee is amortised and periodically tested for sufficiency with valuation at the highest of either amortised cost or the present value of the expenditure required to settle the obligation. Based on the latest information of the portfolio that is covered by the Credit Umbrella, an update of the accrual for the Credit Umbrella is prepared on a quarterly basis.

No amounts were paid under the Credit Umbrella in 2010.

35 Equity attributable to shareholders of the parent company

The following table shows the composition of Issued capital and reserves as at 31 December 2010 and 31 December 2009.

(in millions of euros)	31 December 2010	31 December 2009
Share capital	1,015	
Share premium	11,505	
Other reserves (incl. retained earnings/profit for the period)	362	9,666
Other components of equity	-783	-933
Equity attributable to shareholders of the parent company	12,099	8,733

As at 31 December 2010, the authorised share capital amounted to EUR 4,000 million distributed over 3,750,000,000 ordinary shares, 240,000,000 non-cumulative preference shares A, 100,000,000 ordinary shares B and 900,000,000 preference shares B. The ordinary shares and non-cumulative preference shares A have a nominal value of EUR 1.00 each and the ordinary shares B and the preference shares B have a nominal value of EUR 0.01 each.

As at 31 December 2010, issued and paid-up capital amounted to EUR 1,015 million distributed over 940,000,000 ordinary shares A and 75,000,000 non-cumulative preference shares (5.85%).

On 1 April 2010 the shares in ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. were transferred into ABN AMRO Group N.V. This resulted in share premium of EUR 8.2 billion and a contribution in ordinary shares of EUR 0.9 billion totalling the net asset value of both banks.

Furthermore, the share premium reserve increased by a further EUR 2.7 billion (of which EUR 0.1 billion relates to capitalised interest) due to the conversion of 2.6 billion Mandatory Convertible Notes by the Dutch State.

The remaining increase of share premium reserve is attributable to the completion of the capitalisation of ABN AMRO Bank N.V. by the Dutch State (EUR 0.5 billion) in accordance with the letter to Parliament of 19 November 2009 and a settlement related to the separation of ABN AMRO Bank N.V. from RBS N.V.

Other changes to equity are mainly related to the separation of RBS N.V.

As at 31 December 2009, issued and paid-up capital amounted to EUR 0.1 million, distributed over 100,000 ordinary shares A.

The preference share dividend over 2009 of EUR 12 million has been reserved into a dedicated dividend reserve in other reserves.

The following table shows the number of outstanding shares:

	Ordinary shares	Preference shares	Total shares outstanding
Number of shares at 31 December 2009	100,000		100,000
Issued	939,900,000		939,900,000
Conversion preference shares (Fortis Bank Nederland)		75,000,000	75,000,000
Number of shares at 31 December 2010	940,000,000	75,000,000	1,015,000,000

36 Additional cash flow information

The following table analyses the determination of cash and cash equivalents at 31 December:

(in millions of euros)	31 December 2010	31 December 2009
Cash and balances at central banks	906	4,368
Loans and receivables banks (less than 3 months)	4,160	3,192
Total	5,066	7,560

37 Assets pledged as security

ABN AMRO trades in debt investments, equity investments and derivatives. These transactions are conducted under terms that are usual and customary to standard lending and stock borrowing activities. Therefore financial assets have been pledged as security to third parties for liabilities.

Securities received under reverse repurchase, securities borrowing and other collateralised arrangements, ABN AMRO obtains securities on terms which are permitted to repledge or resell the securities to others. For 2010 an amount of EUR 19,636 million (2009: EUR 11,444 million) securities has been repledged or resold.

These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

An amount of EUR 29,676 million (2009:EUR 28,452 million) in loans and receivables from customers has been pledged in respect of the issued debt.

Note 41 provides an overview of assets charged as security for liabilities relating to securitisations.

The sale under the EC Remedy resulted in collateral pledged as security to mitigate the risk arising under the cross liabilities arising as a result of the sale. Note 38 Commitments and contingent liabilities provides information on disclosure of the cross liabilities.

38 Commitments and contingent liabilities

Committed credit facilities

Commitments to extend credit take the form of approved but undrawn loans, overdraft revolving and underwriting facilities and credit card limits. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions. In addition, ABN AMRO has entered into transactions to guarantee various liabilities in respect to insurance-related regulatory reserve financing transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Aside from the items stated above, non-quantified guarantees have been given for securities custody operations, for interbank bodies and institutions, and for participating interests. Collective guarantee schemes are applicable to subsidiaries in various countries. Furthermore, statements of liability have been issued for a number of subsidiaries.

The committed credit facilities, guarantees and other commitments at 31 December 2010 and 2009 are summarised below.

	Payments due by period				
	Total	Less than one year	Between one and three years	Between three and five years	After five years
<i>(in millions of euros)</i>					
31 December 2010					
Committed credit facilities	14,553	7,848	2,632	1,096	2,977
<i>Guarantees and other commitments:</i>					
Guarantees granted	15,852	8,301	1,227	2,144	4,180
Irrevocable letters of credit	2,262	1,117	221	130	794
Recourse risks arising from discounted bills	5,079	4,515	413	150	1
Total guarantees and other commitments	23,193	13,933	1,861	2,424	4,975
Total	37,746	21,781	4,493	3,520	7,952
31 December 2009					
Committed credit facilities	16,175	9,141	2,813	1,513	2,708
<i>Guarantees and other commitments:</i>					
Guarantees granted	4,190	2,986	444	211	549
Irrevocable letters of credit	2,657	1,190	335	198	934
Recourse risks arising from discounted bills	3,388	2,739	56	593	
Total guarantees and other commitments	10,235	6,915	835	1,002	1,483
Total	26,410	16,056	3,648	2,515	4,191

Guarantees have increased by EUR 9 billion due to the Credit Umbrella. Other liabilities includes an amount of EUR 293 million that covers expected losses on this portfolio.

Leasing

ABN AMRO is a lessee under finance and operating leases, providing asset financing for its customers and leasing assets for its own use. In addition, assets leased by ABN AMRO may be sublet to other parties. An analysis of the impact of these transactions on the balance sheet and income statement is as follows.

Operating lease commitments

ABN AMRO leases various offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payables. ABN AMRO also leases equipment under non-cancellable lease arrangements.

Where ABN AMRO is the lessee the future minimum lease payment under non-cancellable operating leases are as follows:

(in millions of euros)	2010	2009
Not more than one year	67	107
Longer than 1 year and not later than 5 years	162	157
Longer than 5 years	22	26
Total	251	290

Transactions involving the legal form of a lease

ABN AMRO has entered into IT outsourcing arrangements that involve leases in form but not in substance. The contract periods of the arrangements vary between 1 and 5 years. The total amount of the lease payments were EUR 317 million for 2010.

Other contingencies

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting consolidated financial information, management makes estimations regarding the outcome of legal, regulatory and arbitration matters, and takes a charge to income when losses with respect to such matters are probable. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated.

On the basis of information currently available, and having taken legal counsel with legal advisors, ABN AMRO is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated result of ABN AMRO.

In particular:

- ▶ Ageas initiated legal proceedings against ABN AMRO Capital Finance Ltd, ABN AMRO Bank N.V. and the Dutch State claiming EUR 363 million compensation which Ageas was liable for on the cash settlement date. These proceedings are pending. In an initial summary hearing on 25 June 2009 the court ruled in favour of all claims against Ageas. ABN AMRO Capital Finance Ltd and ABN AMRO Bank N.V. continue to hold the opinion that Ageas is not entitled to any compensation;
- ▶ On 7 December 2010 and in accordance with the transaction documentation, the EUR 2 billion of 8.75% Mandatory Convertible Securities converted into ordinary Ageas shares and the final (semi-annual) coupon was paid. Ageas claims it is entitled to receive EUR 2 billion of ABN AMRO ordinary shares. ABN AMRO has been given formal notice that the Dutch State - which disputes Ageas's claim - has seized the aforementioned claim. This (third-party) seizure will not affect ABN AMRO's capital position or on its activities;
- ▶ As previously reported, ABN AMRO Bank N.V, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. In some instances, ABN AMRO Bank N.V. and/or a subsidiary made collateralised loans to client funds that had exposure to Bernard L. Madoff Investment Securities (BLMIS). In other instances, a subsidiary of ABN AMRO Bank N.V. entered into total return swap transactions with

client funds that were exposed to BLMIS, and also purchased reference portfolio interests in funds that were exposed to BLMIS. If those BLMIS exposed funds remain impaired, ABN AMRO Bank N.V. estimates that its and its subsidiaries' losses could amount to EUR 922 million as provisionally provided for in 2008. In addition, certain subsidiaries of ABN AMRO Bank N.V. provided other services (including custodial and administration services) to client funds that had exposure to BLMIS. The provision of such services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. ABN AMRO Bank N.V.'s subsidiaries are defending themselves in these proceedings to which they are defendants. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO Bank subsidiaries' potential liability, if any. ABN AMRO Bank N.V. and its relevant subsidiaries are continuing to investigate and implement strategies for recovering the losses suffered. As previously noted, a total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. ABN AMRO Bank N.V. and its relevant subsidiaries continue to take all reasonable steps to mitigate any further positive effects from the Madoff fraud.

Cross liability

Article 2:334t of the Dutch Civil Code requires that in the event of an entity being divided into two or more parts through a legal demerger, each part remains liable to the creditors of the other demerged part. Such liabilities relate only to obligations existing as at the date of the legal demerger. The total amount of the liability is limited to the equity of the divided part on demerger. The cross liabilities will cease to exist upon expiration of the obligations.

On 6 February 2010, the old ABN AMRO Bank N.V. demerged into two entities; RBS N.V. (formerly ABN AMRO Bank N.V.) and ABN AMRO Bank N.V. (formerly ABN AMRO II N.V.). In principle, creditors now only have recourse to the entity to which the relevant assets and liabilities have been transferred. However, under Article 2:334t of the Dutch Civil Code, ABN AMRO Bank N.V. remains liable to the creditors of RBS N.V. in the event that RBS N.V. cannot meet its obligations to those creditors in respect of obligations that existed at the date of the demerger. Similarly, RBS N.V. remains liable to the creditors which transferred from RBS N.V. to ABN AMRO Bank N.V. on the date of the legal demerger in the event that ABN AMRO Bank N.V. cannot meet its obligation to those creditors in respect of obligations that existed at the date of demerger.

At the date of the legal demerger, the obligations of RBS N.V. exceeded the equity of ABN AMRO Bank N.V. Therefore the contingent liability of ABN AMRO Bank N.V. to creditors of RBS N.V. is limited to the amount of equity acquired at the legal demerger, which amounted to EUR 1.8 billion. The RBS N.V. contingent liability is limited to the equity it retained at the legal demerger, amounting to EUR 4.0 billion.

ABN AMRO Bank N.V. has put in place arrangements to mitigate the risks of the contingent liability to the creditors which transferred to RBS N.V. upon the legal demerger.

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V., giving rise to cross liabilities in the event that New HBU II N.V. fails to meet its obligations, ABN AMRO Bank N.V. remains liable to their creditors in respect of obligations that existed at the New HBU II N.V. demerger date. At 31 December 2010 this contingent liability was estimated at EUR 454 million.

In the event that RBS N.V. or ABN AMRO Bank N.V. fail to meet their obligations, New HBU II N.V. remains liable to these creditors in respect of obligations that existed at the New HBU II N.V. demerger date. New HBU II N.V.'s contingent liability in this regard is capped at EUR 950 million under the provisions of Article 2:334t. In respect of these cross liabilities, ABN AMRO Bank N.V. and New HBU II N.V. have entered into cross indemnification and collateral arrangements for a period of 5 years starting 1 April 2010. In this respect ABN AMRO Bank N.V. has indemnified New HBU II N.V. for losses that it might incur as a result of cross liability claims from creditors of ABN AMRO Bank N.V. or RBS N.V. The Dutch State, however, has provided ABN AMRO Bank N.V. with a counter-indemnity, capped at EUR 950 million for any losses incurred for RBS N.V. customers only.

At 31 December 2010 ABN AMRO Bank N.V. had placed collateral with a fair value of EUR 162 million with New HBU II N.V. and New HBU II N.V. had placed collateral with a fair value of EUR 72 million with ABN AMRO Bank N.V.

At 31 December 2010 ABN AMRO Bank N.V. held regulatory capital agreed with the Dutch central bank for any residual risks.

39 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. Valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Internal controls over fair valuation

ABN AMRO has designated controls and processes for the determination of the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls over the profit or loss recorded by trading and treasury front office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price verification process. Valuations are first calculated by the business. Such valuations may be direct prices, or may be derived using a model and variable model inputs. These valuations are reviewed, and if necessary amended, by the independent price verification process. This process involves a team independent of those trading the financial instruments performing a review of valuations in the light of available pricing evidence. Independent price verification is performed at a frequency to match the availability of independent data, and the size of the exposure. For liquid instruments the process is performed daily. The minimum frequency of review is monthly for trading positions, and 6 monthly for non-trading positions. The independent price verification control includes formalised reporting and escalation of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of ABN AMRO's exposure to the model.

Valuation techniques

ABN AMRO uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include relative value methodologies based on observable prices for similar instruments, present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate, option pricing models such as Black-Scholes or binomial option pricing models and simulation models such as Monte Carlo.

Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

The principal inputs to these valuation techniques are listed below:

- ▶ Bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage related products;
- ▶ Credit spreads – where available, these are derived from prices of credit default swaps (CDS) or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services;
- ▶ Interest rates – these are principally benchmark interest rates such as the interbank rates and quoted interest rates in the swap, bond and futures markets;
- ▶ Foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies;
- ▶ Equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares;

- ▶ Commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres;
- ▶ Price volatilities and correlations – volatility is a measure of the tendency of a price to change with time. Correlation measures the degree to which two or more prices or other variables are observed to move together. If they move in the same direction there is positive correlation; if they move in opposite directions there is negative correlation. Volatility is a key input in valuing options and the valuation of certain products such as derivatives with more than one underlying variable that are correlation-dependent. Volatility and correlation values are obtained from broker quotations, pricing services or derived from option prices;
- ▶ Prepayment rates – the fair value of a financial instrument that can be prepaid by the issuer or borrower differs from that of an instrument that cannot be prepaid. In valuing pre-payable instruments that are not quoted in active markets, ABN AMRO considers the value of the prepayment option;
- ▶ Counterparty credit spreads – adjustments are made to market prices (or parameters) when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameters);
- ▶ Recovery rates/loss given default – these are used as an input to valuation models and reserves for asset-backed securities as an indicator of severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of fair value at the balance sheet date.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. Furthermore, on an ongoing basis, management assesses the appropriateness of any model used. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources. Where unobservable inputs are used, management may determine a range of possible valuations based upon differing stress scenarios to determine the sensitivity associated with the valuation. As a final step, ABN AMRO considers the need for further adjustments to the modelled price to reflect how market participants would price instruments. Such adjustments include the credit quality of the counterparty and adjustments to correct model valuations for any known limitations. In addition, ABN AMRO makes adjustments to defer income for financial instruments valued at inception where the valuation of that financial instrument materially depends on one or more unobservable model inputs.

Fair Value hierarchy

ABN AMRO analyses financial instruments held at fair value into the three categories as outlined below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These financial instruments consist primarily of liquid listed equity shares, certain exchange-traded derivatives, and G10 government securities.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments included are other government agency securities, investment-grade corporate bonds, less liquid listed equities, state and municipal obligations, certain money market securities and most OTC derivatives.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data. Financial instruments included are primarily unlisted equity shares.

The following table presents the valuation methods used in determining the fair values of financial instruments carried at fair value:

	(in millions of euros)			31 December 2010
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
Assets				
Financial assets held for trading	13,994	10,306		24,300
Available for sale interest earning securities	13,369	6,274		19,643
Available for sale equities	132	40	23	195
Equities designated at fair value through profit or loss	257	3	99	359
Derivatives not held for trading		1,512		1,512
Unit-linked investments	404	1,689		2,093
Total financial assets	28,156	19,824	122	48,102
Liabilities				
Financial liabilities held for trading	10,861	9,121		19,982
Issued debt		259		259
Derivatives not held for trading		4,738		4,738
Unit-linked investments	404	1,689		2,093
Total financial liabilities	11,265	15,807		27,072

(in millions of euros) 31 December 2009

	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
Assets				
Financial assets held for trading	12,457	7,885		20,342
Available for sale interest earning securities	12,653	7,272		19,925
Available for sale equities	124	73	23	220
Equities designated at fair value through profit or loss	376	3	239	618
Derivatives not held for trading		822		822
Unit-linked investments	427	1,233		1,660
Total financial assets	26,037	17,288	262	43,587
Liabilities				
Financial liabilities held for trading	20,825	6,126		26,951
Issued debt		103		103
Derivatives not held for trading		4,866		4,866
Unit-linked investments	427	1,233		1,660
Total financial liabilities	21,252	12,328		33,580

Transfers between level 1 and 2

During 2010 there were no transfers between level 1 and level 2 in 2010.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets that are recorded at fair value:

(in millions of euros) 2010

	Equities designated at fair value through profit or loss	Available for sale equities
Balance at 1 January	239	23
Purchases		
Sales	-102	
Settlements	-1	
Gains/losses recorded in profit and loss ¹⁾	15	
Unrealised gains/losses	9	
Other movements	-61	
Balance at 31 December	99	23

¹⁾ Included within Results from financial transactions. All assets were held at balance sheet date.

As of 2010 Private Equity Investments are accounted for as associates. This change is recorded in Other movements.

Level 3 sensitivity information

The tables below present the level 3 financial instruments carried at fair value as at the balance sheet date for which fair value is measured in full or in part using valuation techniques based on assumptions that are not supported by market observable inputs. There may be uncertainty about a valuation, resulting from the choice of the valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique or model. At 31 December 2010, ABN AMRO performed a sensitivity analysis to assess the range of reasonably possible alternative assumptions that would have a significant impact (i.e. increase and decrease) on the fair value of the instrument.

(in millions of euros)	Valuation technique	Main assumptions	Carrying value	Reasonably possible alternative assumptions	
Financial assets				Increase in fair value	Decrease in fair value
2010					
Equity shares	Private equity - valuation statements	EBITDA multiples	122	21	-21
2009					
Equity shares	Private equity - valuation statements	EBITDA multiples	262	50	-50

For the portfolio category shown in the above table, set out below is a description of the types of products that comprise the portfolio and the valuation techniques that are applied in determining fair value, including a description of models used and inputs to those models. Where reasonably possible alternative assumptions of unobservable inputs used in models would change the fair value of the portfolio significantly, the alternative inputs are indicated along with the impact these would have on the fair value. Where there have been significant changes to valuation techniques during the year, a discussion of the reasons for this is also included.

Equities designated at fair value through income

Equities designated at fair value through income classified as level 3 include mainly private equity investments. In general, private equity investments cannot be valued directly from quoted market prices or by using valuation techniques supported by observable market prices or other market data. The fair value is determined using a valuation technique applied in accordance with the European Private Equity and Venture Capitalist Association guidelines (EVCA).

Own credit

In certain circumstances, ABN AMRO designates own debt at fair value through profit and loss. Designation is performed either to eliminate an accounting mismatch, for example, where the debt funds trading positions, or because the debt is managed and assessed on a fair value basis. When valuing financial liabilities recorded at fair value, IFRS requires that an entity takes into account the impact of its own credit standing, which, in aggregate, could have a significant impact on the valuation of the liabilities. The categories of financial liabilities on which own credit spread adjustments are made

include issued debt securities and subordinated liabilities. An own credit adjustment is applied to positions where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing trades. ABN AMRO's trading systems discount future cash outflows for liabilities measured at fair value at interbank offered rates. The adjustment for ABN AMRO's own credit spread represents the difference between the interbank offered rate and the rate which includes ABN AMRO's own market-perceived risk of default. In general, ABN AMRO anticipates that gains and losses arising from changes in ABN AMRO's own credit spread will reverse over the life of the instrument unless repurchased.

For issued debt securities, this adjustment is based on independent quotes from market participants for the debt issuance spreads above average interbank rates (at a range of tenors) which the market would demand when purchasing new senior or sub-debt issuances from ABN AMRO. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices (see also note 29).

Financial assets and liabilities not carried at fair value

The following methods and significant assumptions have been applied to estimate the fair values of financial instruments carried at cost:

- ▶ The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within 6 months of the balance sheet date are assumed to approximate their carrying amounts. The fair value estimate of these financial instruments does not reflect changes in credit quality, as the main impact of credit risk is already recognised separately through the deduction of the allowances for credit losses from the carrying amounts;
- ▶ The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans;
- ▶ The fair value of demand deposits and savings accounts (included in due to customers) with no specific maturity is assumed to be the amount payable on demand at the balance sheet date. The fair value of the other loans to customers and loans to banks is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans;
- ▶ The fair value of issued debt securities and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on independent quotes from market participants for the debt issuance spreads above average interbank offered rates (at a range of tenors) which the market would demand when purchasing new senior or sub-debt issuances from ABN AMRO. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices.

The following table compares the carrying amount of financial assets and liabilities recorded at amortised cost to their estimated fair values ¹⁾:

(in millions of euros)	31 December 2010			31 December 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash and balances at central banks	906	906		4,368	4,368	
Loans and receivables - banks	40,957	40,986	29	45,062	45,064	2
Loans and receivables - customers	205,028	205,487	459	209,633	208,237	-1,396
Total financial assets	246,891	247,379	488	259,063	257,669	-1,394
Liabilities						
Due to banks	21,536	21,522	14	37,387	37,389	-2
Due to customers	211,277	211,450	-173	210,748	210,838	-90
Issued debt	63,333	63,774	-441	54,677	54,954	-277
Subordinated liabilities	6,848	6,603	245	9,841	9,198	643
Total financial liabilities	302,994	303,349	-355	312,653	312,379	274

¹⁾ Negative amounts represent a reduction to net assets. Positive amounts represent an increase to net assets.

40 Hedge accounting

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities, forecasted cash flows and net investments. The accounting treatment of the hedged item and the hedging instrument is dependent on whether the hedge relationship qualifies for hedge accounting. Qualifying hedges may be designated as either fair value hedges, cash flow hedges or hedges of net investments.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly through income.

ABN AMRO enters into credit default swaps for managing loan portfolio credit risk. However, these are not included in hedge accounting relationships due to difficulties in demonstrating that the relationship will be highly effective. Accordingly, any fair value changes in the swaps are recorded directly in income, while the gains and losses on the credit positions hedged are recognised in interest income and expense and as impairment charge, if appropriate.

Derivatives designated and accounted for as hedging instruments

In the results from financial transactions, the following results are recognised:

(in millions of euros)	2010	2009
Fair value hedges	7	-71
Cash flow hedges		
Net investment hedging	-10	1
Total	-3	-70

Fair value hedge accounting

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging) as well as on a portfolio of hedged items (macro fair value hedging).

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relations principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed rate assets and fixed rate liabilities due to changes in market interest rates, notably available-for-sale securities, fixed-rate loans and receivables and fixed rate liabilities.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Gains/(losses) arising from fair value hedge accounting:

(in millions of euros)	2010	2009
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-429	700
Gains/(losses) on the hedging instruments used for the hedged assets	427	-700
Gains/(losses) on the hedged liabilities attributable to the fair value hedged risk	-531	-469
Gains/(losses) on hedging instruments used for the hedged liabilities	528	469
Net effect fair value hedge	-5	

Macro fair value hedge accounting

ABN AMRO hedges interest rate exposures of fixed-rate mortgages on a portfolio basis using interest rate swaps. ABN AMRO applies a portfolio fair value hedge ("macro fair value hedge accounting") in which it designates interest rate swaps as hedging instruments and fixed-rate mortgages as hedged items. On a monthly basis the hedge accounting relationship is reviewed and the hedging instruments and hedged items are de-designated or re-designated if necessary to maintain an effective hedge accounting relationship.

As a result of the hedge, the changes in the hedged item's fair value due to changes in the appropriate benchmark interest rate will be reduced by offsetting changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are pre-payable fixed-rate mortgages with the following features:

- ▶ denominated in local currency (euro);
- ▶ fixed term to maturity or re-pricing;
- ▶ pre-payable amortising or fixed principal amounts;
- ▶ fixed interest payment dates;
- ▶ no interest rate options;
- ▶ accounted for on an amortised cost basis.

Mortgages with these features form a portfolio from which the hedged item is designated in a fair value hedge accounting relationship. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed rate mortgage portfolio. Mortgages included in a portfolio hedge of interest rate risk need to share the risk characteristics being hedged.

When notional swap cash flows exceed 95% of expected mortgage cash flows in any given month, the expected monthly mortgage cash flows on either side of the swap cash flow are designated as hedged items until all notional swap cash flows are matched. Mortgage cash flows are allocated to monthly time buckets based on expected re-pricing dates. ABN AMRO estimates re-pricing dates using a prepayment rate applied to the contractual cash flows and re-pricing dates of the mortgage portfolio.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value attributable to the

hedged interest rate risk and the carrying value of the hedged mortgages at designation of the hedge relationship is amortised over the remaining life of the hedged item.

(in millions of euros)	2010	2009
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	587	337
Gains/(losses) on hedging instruments used for the hedged assets	-575	-408
Net effect fair value hedge	12	-71

Cash flow hedge accounting

ABN AMRO applies a portfolio cash flow hedge (“macro cash flow hedge accounting”) in which it designates interest rate swaps and cross-currency interest rate swaps as hedging instruments and future cash flows on non-trading assets and liabilities as hedged items.

The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated if necessary to maintain an effective hedge accounting relationship.

Future cash flows are derived from the projected balance sheet. This projected balance sheet is produced by Asset and Liability Management models and forms the basis for the management of interest rate risk. The model behind the projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, growth rates and interest scenarios, based on statistical market and client data and an economic outlook. The primary interest-sensitive positions in the balance sheet stemming from the non-trading book are: loans and receivables, liabilities due to banks and customers, and issued debt securities.

Within the projected balance sheet, new assets and liabilities and the future re-pricing of existing assets and liabilities are mapped to specific interest rate indices at the yield curve (i.e. one month, three months, six months, one year, etc). All assets and liabilities are clustered into monthly interest rate index clusters. These clusters are homogeneous in respect of the interest rate risk that is being hedged. Offsetting assets and liabilities in the same monthly interest rate index clusters are considered a natural offset for economic hedging. To risk-manage the remaining interest-sensitive positions, interest rate swap transactions and cross-currency interest rate swap transactions are entered into.

The notional amounts of pay- or receive-floating swaps are designated to hedge the re-pricing cash flow exposure of a designated portion of current and forecasted assets and current and forecasted liabilities, respectively, in the clusters described above. These swap transactions are designated for hedge accounting purposes as a hedge of a gross position of a cluster of projected assets or a cluster of projected liabilities. As a result, the swap will only hedge an identified portion of a cluster of projected assets or projected liabilities. Also the swap will only hedge the applicable floating swap rate portion of the interest re-pricing and re-investment risk of the cluster.

The longer the term of the hedge, the larger the excess of available cash flows from projected assets or liabilities in the clusters needed, since cash flow projections further into the future are inherently less certain. The availability of an excess of cash flows in the clusters and the increase of excess over time is evaluated on a monthly basis.

Furthermore, back testing is performed on the interest rate risk sensitivity models. Historical data are used to review the assumptions applied.

The schedule of forecast principal balances on which the expected hedged cash flows are expected to impact profit or loss is as follows:

(in millions of euros)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Total
31 December 2010						
<i>Expected cash flow</i>						
Inflows (assets)	79	238	1,119	952	409	2,797
Outflows (liabilities)	109	326	1,657	1,518	1,915	5,525
Expected cash flow	-30	-88	-538	-566	-1,506	-2,728

(in millions of euros)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Total
31 December 2009						
<i>Expected cash flow</i>						
Inflows (assets)	34	102	1,205	199	-176	1,364
Outflows (liabilities)	62	185	1,445	902	860	3,454
Expected cash flow	-28	-83	-240	-703	-1,036	-2,090

Net gain/(loss) on cash flow hedges transferred from equity to the income statement are as follows:

(in millions of euros)	2010	2009
Interest income	381	183
Interest expense	276	138
Result financial transactions		
Subtotal	105	45
Tax expense	26	11
Total	79	34

Hedges of net investments in foreign operations

ABN AMRO limits its exposure to investments in foreign operations by hedging its net investment in its foreign operations with forward foreign exchange contracts or foreign currency borrowings in the currency of the foreign operations or a closely correlated currency to mitigate foreign exchange risk.

For qualifying net investment hedges, changes in the fair value of the hedging instrument are recorded in the currency translation reserve within equity. In 2010 ABN AMRO recorded a loss of EUR 10 million relating to the ineffectiveness (2009: EUR 0 million).

Overview of the fair value of hedging instruments

(in millions of euros)	2010		2009	
	Positive	Negative	Positive	Negative
Hedges Qualifying for hedge accounting				
Fair value hedges				
<i>Interest rate contracts</i>				
Swaps	692	3,652	405	3,481
Options	10	321	7	336
Total	702	3,973	412	3,817
<i>Foreign currency contracts</i>				
Interest and currency swaps	352		111	4
Cash flow hedges				
<i>Interest rate contracts</i>				
Swaps	367	716	179	864
<i>Net investment hedges</i>				
	17			5
Subtotal as at 31 December	1,438	4,689	702	4,690
Hedges not qualifying for hedge accounting	74	49	120	176
Balance as at 31 December	1,512	4,738	822	4,866

Notional amounts

(in millions of euros)	2010	2009
<i>Notional amounts</i>		
Interest rate risk	102,870	121,464
Foreign currency risk	2,203	1,260
Net investment hedge	364	280

41 Securitisations

ABN AMRO uses securitisation transactions to diversify its funding sources, manage its liquidity profile and obtain credit protection. ABN AMRO is mainly involved in securitisations of own originated assets. Substantially all financial assets included in these transactions are residential mortgages and loans to small and medium-sized enterprises. The extent of the bank's continuing involvement in these financial assets varies by transaction.

Full recognition and continuing involvement

ABN AMRO participates in sales transactions where financial assets and, consequently, the related cash flows are sold to a special purpose entity (SPE). If neither substantially all risks and rewards nor control over the financial assets has been transferred in these transactions, the entire asset continues to be recognised in the consolidated statement of financial position. In the case of sales transactions involving a consolidated SPE, the retained risks and rewards are usually an exposure on first credit losses, prepayment risk and/or an interest-related spread. In the event of a credit downgrade ABN AMRO may be required to post additional collateral in respect of these transactions.

Additionally, ABN AMRO participates in various mortgage-related transactions in The Netherlands that have been conducted without the involvement of an SPE. In some of these transactions, the de-recognition criteria are not fully met and the entire asset continues to be recognised in the consolidated statement of the financial position. ABN AMRO also retains exposure to certain interest rate risks. The carrying amounts of these assets approximated EUR 0.1 billion at 31 December 2010 and at 31 December 2009.

ABN AMRO has participated in one transaction where de-recognition of specified portions of an entire financial asset has occurred. The carrying amount of these assets approximate EUR 0.3 billion at 31 December 2010 as well as at 31 December 2009.

Synthetic transactions

ABN AMRO has protected assets for the full notional amount or partially through synthetic securitisations and credit derivatives for an amount of EUR 28.6 billion (2009: EUR 58.2 billion). Through a synthetic securitisation ABN AMRO is able to buy protection without actual transfer of any assets to an SPE. As a result, ABN AMRO as the owner of the assets buys protection to transfer the credit risk on a portfolio of assets to another entity that sells the protection. Although a substantial part of the credit risk related to these loan portfolios is transferred, actual ownership of the portfolio of assets remains with ABN AMRO. If securities are issued by an SPE, the third-party investors have recourse only to the assets of the SPE and not to ABN AMRO.

The 31 December 2009 financial position included a EUR 34.3 billion transaction entered into in August 2009 with the Dutch State to reduce the credit risk, through a Credit Relief Instrument, on the part of ABN AMRO's Dutch mortgage portfolio. This Credit Relief Instrument was terminated on 31 October 2010.

42 Capital adequacy

ABN AMRO regulatory capital is broken down into two Tiers, Tier 1 capital and Tier 2 capital.

Tier 1 capital

Tier 1 capital is composed of shareholders' equity, minority interests, non-innovative Tier 1 capital, and innovative Tier 1 capital instruments after deduction of the elements mentioned below.

Shareholders' equity consists of share capital, preference shares, 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 fully deducted from Tier 1 capital.

Non-controlling interests reflect the equity of minority shareholders in a subsidiary.

Innovative Tier 1 instruments are deeply subordinated debt instruments, senior only to shareholders' equity and non-innovative Tier 1 debt. They do not have a maturity date and have a relatively high capacity for loss absorption. They must also meet strict rules predefined by the Dutch central bank.

Outstanding hybrid Tier 1 instruments at ABN AMRO are:

- ▶ non-cumulative non-voting perpetual preference shares;
- ▶ innovative non-cumulative perpetual capital securities.

Tier 2 capital

Tier 2 capital is divided into upper Tier 2 and lower Tier 2 capital. Upper Tier 2 capital consists of debt instruments with an indefinite term. Lower Tier 2 capital consists of other long-term subordinated liabilities that meet certain specified.

Deductions from Tier 1 and Total Capital

Regulators apply deductions and prudential filters to Tier 1 capital. The main elements which need to be deducted or filtered out from Tier 1 capital are:

- ▶ goodwill, which is the difference between the purchase price and net asset value of the acquired company;
- ▶ 50% of participating interests and subordinated loans (and other capital instruments qualifying as own funds) of more than 10% in not fully consolidated credit or other financial institutions;
- ▶ 50% of participating interests and subordinated loans (and other capital instruments qualifying as own funds) of more than 20% in insurance companies;
- ▶ expected but not yet declared dividend;
- ▶ unrealised gains and losses on AFS bonds (unrealised gains and losses on AFS real estate are not included in IFRS figures and therefore no adjustment is made for solvency calculation);

- ▶ unrealised gains on AFS equities which are partially (90%) included in Tier 2; unrealised losses do impact Tier 1 as those losses are deducted from Tier 1 capital;
- ▶ in case of a provision shortfall (i.e. provision shortage compared to IRB measurement of expected loss), 50% of this shortage will be deducted from Tier 1 capital and 50% will be deducted from Tier 2 capital. The excess provision amounts, if any, are eligible as an element of Tier 2 capital;
- ▶ securitisation first loss position.

Furthermore, the regulation also foresees the following deductions from Tier 2 capital if the Tier 2 capital is sufficient to carry out the deduction. If not the (remaining) deduction will be taken from Tier 1 capital:

- ▶ 50% of participating interests of more than 10% in not fully consolidated credit institutions or other financial institutions;
- ▶ 50% of participating interests of more than 20% in insurance companies;
- ▶ 50% of subordinated loans and other capital instruments issued by companies referred to in 1) and 2) which qualify as own funds of these companies, and which are held by ABN AMRO (or a subsidiary).

The following table provides actual capital levels as determined for supervisory purposes:

(in millions of euros)	31 December 2010	
	Basel II	Basel I
Core Tier 1 capital	12,084	12,244
Other Tier 1 capital	2,750	2,750
Tier 1 capital	14,834	14,994
Tier 2 capital ¹⁾	4,502	4,656
Total capital	19,336	19,650
Credit risk	99,331	
Operational risk	14,461	
Insurance risk	246	
Market risks	2,290	
Total risk-weighted assets	116,328	127,233 ²⁾
Tier 1 ratio ³⁾	12.8%	
Total capital ratio ³⁾	16.6%	

¹⁾ A subordinated liability of USD 250 million legally held by RBS N.V. was no longer recognised as of December 2010. Although the intention was to transfer this instrument economically to ABN AMRO, further review has shown that ABN AMRO does not bear the risks and rewards. The impact on capital of this change compared with the third quarter of 2010 is a reduction of EUR 174 million.

²⁾ The capital floor is 80% of Basel I. This corresponds to the transitional arrangements for solvency requirements under Basel II, which results in a total capital ratio of 15.5% which has been reported to the Dutch central bank.

³⁾ Before appropriation of profit.

43 Related parties

Parties related to ABN AMRO include the Dutch State as shareholder, associates, pension funds, joint ventures, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has early adopted the partial exemption for government-related entities pursuant to IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted directly with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Total outstanding loans and advances to members of the Managing Board and Supervisory Board of ABN AMRO amounts to EUR 6.7 million. The outstanding loans and advances to members of the Managing Board and the Supervisory Board mainly consist of consumer mortgages. These loans and advances have been granted under standard personnel conditions or client conditions.

Credits, loans and bank guarantees in the ordinary course of business may be granted by ABN AMRO companies to executive managers or to close family members of Board members and close family members of executive managers. At 31 December 2010, there were no outstanding credits, loans or bank guarantees, other than the ones included in the ordinary course of business noted above.

Balances with joint ventures, associates and other

(in millions of euros)	31 December 2010				31 December 2009			
	Joint ventures	Associates	Other	Total	Joint ventures	Associates	Other	Total
Assets		213	501	714	269	177	198	644
Liabilities	46	96	4	146	54	61	6	121
Irrevocable facilities		15		15		8		8
Income received	33	3		36	41	69		110
Expenses paid			136	136	26	4	341	371

The column Other includes mainly pension funds related amounts.

Balances with the Dutch State

(in millions of euros)	31 December 2010	31 December 2009
<i>Assets</i>		
Financial assets held for trading	757	420
Financial investments - available for sale	2,287	2,922
<i>Liabilities</i>		
Due to customers	2,925	5,925
Financial liabilities held for trading	960	157
Subordinated loans	1,650	4,500
<i>Income statement</i>		
Interest income	85	197
Interest expense	339	906
Net trading income	6	
Net fee and commission income	-138	-56

In addition to the items above, ABN AMRO has Medium Term Notes (EUR 9 billion) that are guaranteed by the Dutch State.

In addition to the balances with the Dutch State reported in the table above, the following transactions have been conducted with the Dutch State:

RBS continues to legally own certain Consortium Shared assets and liabilities. This means that these assets and liabilities are for the risk and reward of RBS, Santander and the Dutch State as shareholder of RFS Holdings B.V. On 1 April 2010, ABN AMRO signed an indemnity agreement with the Dutch State for a shortfall in capital above a certain amount relating to certain of those assets and liabilities. ABN AMRO has assessed the risk for such a shortfall and considers the risk to be remote.

As stated in note 38, ABN AMRO took over the cross-liability exposure for NEW HBU II N.V. on Royal Bank of Scotland N.V. for a period of five years. ABN AMRO received an indemnity from the Dutch State for this exposure.

Transactions and balances related to taxation are included in note 12 Income tax expense and note 25 Tax assets and tax liabilities that mainly consists of transactions and balances with the Dutch tax authorities.

Since August 2009, ABN AMRO has had a EUR 34.5 billion risk mitigant, through a guarantee, which the Dutch State uses to reduce the credit risk on part of the Dutch residential mortgage portfolio which was terminated on 31 October 2010.

44 Remuneration of Managing Board and Supervisory Board

Remuneration Managing Board

ABN AMRO's remuneration policy was formally approved by shareholders and adopted by the Supervisory Board.

The remuneration package for the Managing Board consists of the following components:

- ▶ annual base salary;
- ▶ variable remuneration consisting of a short- and long-term component;
- ▶ benefits and other entitlements;
- ▶ severance payments.

The statement below summarises the income components for the individual Managing Board Members as of the appointment date 1 April 2010.

(in thousands of euros)						2010
Name	Salary ¹⁾	Variable remuneration ²⁾	Other payments	Pension costs ³⁾	Severance payments	Total
G. Zalm	563			165		728
J.C.M. van Rutte	450			57		507
J. van Hall	450			60		510
C. Princen	450			96		546
W. Reehoorn ⁴⁾	450		19	61		530
C.F.H.H. Vogelzang	450			62		512
J. Wijn	450			95		545
Total	3,263		19	596		3,878

¹⁾ Salary amounts as of the appointment date 1 April 2010; for (annual) remuneration of the Managing Board see section 2 of the Annual Report (Supervisory Board review).

²⁾ For 2010 the Managing Board was not eligible for variable remuneration.

³⁾ Pension costs exclusively comprise pension service cost for the year computed on the basis of IAS 19.

⁴⁾ Mr Reehoorn received a long-term incentive plan entitlement in 2008, which was partly accrued in 2010 and fully payable at the end of the 3-year plan period in December 2010. The amount accrued in 2010 was pro-rated to reflect the appointment date.

Loans from ABN AMRO to Managing Board members

The following table summarises outstanding loans of the members of the Managing Board at 31 December 2010.

(in thousands of euros)		2010	
Name	Outstanding 31 December	Interest rate	
J.C.M. van Rutte	503	3.0%	
J. van Hall	284	5.3%	
W. Reehoorn	1,588	3.0%	
C.F.H.H. Vogelzang	1,469	2.6%	
J. Wijn	1,268	2.8%	

Remuneration of the Supervisory Board

On establishment of ABN AMRO Group N.V.

The statement below summarises the income components for the individual Supervisory Board members.

Remuneration of the Supervisory Board of ABN AMRO as of the appointment date 1 April 2010

(in thousands of euros)		2010	
Name	Salary		
J.H.M. Lindenbergh	75		
H.P. de Haan	60		
S. ten Have	45		
A. Meerstadt	47		
M.J. Oudeman	45		
J.M. Roobeek	47		
D.J.G.M. van Slingelandt ¹⁾	13		
P.N. Wakkie	56		

¹⁾ The appointment date of D.J.G.M. van Slingelandt is 2 November 2010.

Loans from ABN AMRO to Supervisory Board members

The following table summarises outstanding loans of the members of the Supervisory Board at 31 December 2010.

(in thousands of euros)		2010	
Name	Outstanding 31 December	Interest rate	
A. Meerstadt ²⁾	1,314	4.6%	
P.N. Wakkie ²⁾	284	5.3%	

²⁾ These outstanding loans are contracted prior to the appointment to the Supervisory Board.

45 Employee share option and share purchase plans

No employee share option plans are in place for the years 2010 and 2009 and expenses from former plans are not material.

46 Major subsidiaries and participating interests

ABN AMRO Bank N.V. *		Amsterdam, Netherlands
ABN AMRO Arbo Services B.V. *		Amsterdam, Netherlands
ABN AMRO Bank (Luxembourg) S.A.		Luxembourg, Luxembourg
ABN AMRO Bank (Switzerland) A.G.		Zurich, Switzerland
ABN AMRO Capital Finance Ltd		St. Helier, Jersey, Channel Islands
ABN AMRO Clearing Bank N.V. *		Amsterdam, Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Pty		Sydney, Australia
ABN AMRO Commercial Finance B.V. *		Rotterdam, Netherlands
ABN AMRO Effecten Compagnie B.V. *		Amsterdam, Netherlands
ABN AMRO Groenbank B.V. *		Amsterdam, Netherlands
ABN AMRO Holding International AG.		Zug, Switzerland
ABN AMRO Holdings USA LLC.		New York, USA
ABN AMRO Hypotheken Group B.V. *		Amsterdam, Netherlands
ABN AMRO Investment Holding B.V. *		Amsterdam, Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V. *		Amsterdam, Netherlands
ABN AMRO Lease N.V. *		Utrecht, Netherlands
ABN AMRO Life Capital Belgium N.V.		Brussels, Belgium
ABN AMRO Life S.A.		Luxembourg, Luxembourg
ABN AMRO Participaties Fund I B.V. *		Amsterdam, Netherlands
ABN AMRO Securities LLC.		New York, USA
ABN AMRO Shoken Kabushiki Kaisha		Tokyo, Japan
ALFAM Holding N.V. *		Bunnik, Netherlands
Altajo B.V.	50%	Amsterdam, Netherlands
Australian Multilateral Clearing Facility Pty Ltd		Sydney, Australia
Banque Neuflyze OBC SA	99.86%	Paris, France
Caipora International Finance Cooperatiëve UA	25%	Amsterdam, Netherlands
Car Carriers Management B.V.	50%	Amsterdam, Netherlands
Currence Holding B.V.	35.54%	Amsterdam, Netherlands
Debra International Finance Cooperatiëve UA	25%	Amsterdam, Netherlands
Delbrück Bethmann Maffai AG.		Frankfurt am Main, Germany
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, Netherlands
Direktbank N.V. *		Amsterdam, Netherlands
European Multilateral Clearing Facility N.V. *	78%	Amsterdam, Netherlands
Equens S.E.	21%	Utrecht, Netherlands
ABN AMRO COM FIN Holding N.V. *		's Hertogenbosch, Netherlands
Holland Ventures B.V.	45.25%	Amsterdam, Netherlands
International Card Services B.V. *		Amsterdam, Netherlands
Maas Capital Investments B.V. *		Rotterdam, Netherlands
ABN AMRO Guernsey Ltd		St. Peter Port, Guernsey, Channel Islands
MeesPierson (Curaçao) N.V.		Willemstad, Curaçao
MeesPierson (N.A.) N.V.		Willemstad, Curaçao
MoneYou B.V. *		Hoevelaken, Netherlands
NeSBIC Groep B.V.		Utrecht, Netherlands
Neuflyze Vie S.A.	60%	Paris, France
NPE Holding N.V.		Utrecht, Netherlands
Solveon Incasso B.V.		Utrecht, Netherlands
Stater N.V. *		Amersfoort, Netherlands
Triodos MeesPierson Sustainable Investment Management B.V.	50%	Zeist, Netherlands

Branches

ABN AMRO Bank N.V. (Belgium) Branch	Berchem, Belgium
ABN AMRO Bank N.V. (Channel Islands) Branch	Jersey, Channel Islands
ABN AMRO Bank N.V. (Hong Kong) Branch	Hong Kong, China
ABN AMRO Bank N.V. (Norway) Branch	Oslo, Norway
ABN AMRO Bank N.V. (Singapore) Branch	Singapore, Singapore
ABN AMRO Bank N.V. (UAE/DIFC) Branch	Dubai, United Arab Emirates
ABN AMRO Bank N.V. (UK) Branch	London, United Kingdom
ABN AMRO Bank N.V. Niederlassung	Frankfurt am Main, Germany
ABN AMRO Clearing Bank N.V. (Belgium) Branch	Brussels, Belgium
ABN AMRO Clearing Bank N.V. Niederlassung	Frankfurt am Main, Germany
ABN AMRO Clearing Bank N.V. (UK) Branch	London, United Kingdom
ABN AMRO Clearing Bank N.V. (Singapore) Branch	Singapore, Singapore
International Card Services B.V. Branch	Deigem, Belgium
International Card Services B.V. Niederlassung	Düsseldorf, Germany

The interest is 100% unless stated otherwise.

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

* A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

47 Post balance sheet events

There have been no material events after the balance sheet date that would require adjustments to the financial statements at 31 December 2010.

48 Statutory financial statements ABN AMRO Group N.V.

Accounting policies

The company financial statements of ABN AMRO Group N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. ABN AMRO prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied in the company financial statements are the same as those applied in the consolidated financial statements. ABN AMRO Group applies the exemption as included in section 2:362 paragraph 8. Participating interests in group companies are valued at net asset value determined on the basis of IFRS as issued by the IASB. Reference is made to the accounting policies section in the consolidated financial statements.

Participating interests in ABN AMRO companies

ABN AMRO Group N.V. has one subsidiary and is the sole shareholder of ABN AMRO Bank N.V.

Basis of preparation

The financial statements are presented in euros, which is the presentation currency of the company, rounded to the nearest million (unless otherwise stated). The income statement has been drawn up in accordance with Section 402, Book 2 of the Dutch Civil Code.

Statement of comprehensive income ABN AMRO Group N.V.

(in millions of euros)	2010	18 December - 31 December 2009
Income		
Share in result from participating interests after tax	-668	
Other results after tax		
Profit/(loss) for the year	-668	
Other comprehensive income	268	
Total comprehensive income/expense for the period	-400	

Statement of financial position ABN AMRO Group N.V.

(before appropriation of profit)

(in millions of euros)	31 December 2010	31 December 2009
Assets		
Loans and receivables – banks		
Participating interests in group companies	12,099	
Total assets	12,099	
Equity		
Share capital	1,015	
Share premium	11,505	
Other reserves (incl. retained earnings/profit for the period)	-668	
Reserve participations	247	
Total equity	12,099	
Total liabilities and equity	12,099	

Statement of changes in equity ABN AMRO Group N.V.

(in millions of euros)	Share capital	Share premium reserve	Other reserves including retained earnings	Reserves participations	Total
Balance at 31 December 2009	0¹⁾				
Acquisition of the two merged entities	940	10,880			11,820
Total comprehensive income			-668	268	-400
Increase of capital	75	625			700
Other changes in equity				-21	-21
Balance at 31 December 2010	1,015	11,505	-668	247	12,099

¹⁾ The share capital at 31 December 2009 amounted to EUR 0.1 million.

Other reserves include non-distributable profit of participations relating to the negative revaluation of financial instruments through the income statement that are not traded on an active market, in accordance with Part 9, Book 2 of the Dutch Civil Code (BW 2, article 390(1)). Currency translation reserve, available-for-sale reserve and cash flow hedge reserve are non-distributable reserves that are included in Reserve participations.

Participating interests in group companies

Participating interest in group companies are carried at net asset value in accordance with Part 9, Book 2 of the Dutch Civil Code (BW 2 titel 9). The share in the results of participating interests in group companies is reported in accordance with the principles of valuation and profit determination that apply to the Consolidated Financial Statements.

Movements in participating interests in group companies are shown below.

	2010	2009
Balance as at 1 January		
Acquisition of the two merged entities	11,820	
Increase of capital	490	
Issuance of preference shares	210	
Result from participating interests	-668	
<i>Currency translation</i>	35	
<i>Available for sale</i>	126	
<i>Cash flow hedge</i>	107	
Other comprehensive income	268	
Other revaluation	-21	
Balance as at 31 December	12,099	

Issued capital and reserves

Issued capital

As at 31 December 2010, the authorised share capital amounted to EUR 4,000 million distributed over 3,750,000,000 ordinary shares, 240,000,000 non-cumulative preference shares A, 100,000,000 ordinary shares B and 900,000,000 preference shares B.

The ordinary shares and non-cumulative preference shares A have a nominal value of EUR 1.00 each and the ordinary shares B and the preference shares B have a nominal value of EUR 0.01 each.

Each Class A ordinary share and each class A preference share entitles the shareholder to one hundred votes. Each class B ordinary share and each class B preference share entitles the shareholder to one vote.

As at 31 December 2010, issued and paid-up capital amounted to EUR 940 million in ordinary shares and EUR 75 million in preference shares A distributed over 940,000,000 ordinary shares and 75,000,000 non-cumulative preference shares (5.85%).

As at 31 December 2009, the issued share capital amounted to EUR 0.1 million, distributed over 100,000 ordinary shares A.

The increase of the share premium reserve is attributable to the completion of the capitalisation of ABN AMRO Bank N.V. by the Dutch State (EUR 490 million) in accordance with the letter to Parliament of 19 November 2009 and an amount of EUR 135 million related to the issue of the preferent shares.

Issued guarantees

For a few group companies established in The Netherlands, general guarantees have been issued within the scope of Article 403, Book 2 of the Dutch Civil Code (see the note regarding the list of the major subsidiaries and associated companies of ABN AMRO Group N.V. Subsidiaries for which a general guarantee has been issued are marked with a footnote).

Other information

Provisions of the Articles of Association concerning profit appropriation

These provisions are contained in Article 38. The Managing Board proposes to the General Meeting of Shareholders (subject to the dividend policy and the approval of the Supervisory Board) which part of the profit is to be reserved. The Managing Board determines (subject to the approval of the Supervisory Board) whether the remainder of the profit – applying the percentage as identified in Article 38.4(a) – is either paid or reserved on the preference shares A. The remainder of the profit is at the disposal of the General Meeting of Shareholders.

In 2011, the General Meeting of Shareholders has adopted a dividend policy that targets a dividend payout of 40% of the reported annual profit. This policy is subject to finalisation of the State and investigation procedure of the European Commission.

Profit appropriation

For 2010, in accordance with article 38.4(a) of the Articles of Association, the Managing Board has decided to reserve a dividend of EUR 12 million for preference shares A based on the first half-year 2010 net profit of Fortis Bank (Nederland) N.V. and the second half-year 2010 net profit of ABN AMRO Group N.V. into a dedicated preference share dividend reserve as part of Other reserves.

Post balance sheet events

There have been no material events after the balance sheet date that would require adjustments to the financial statements at 31 December 2010.

Auditor's report

Independent auditor's report

To the Shareholders of ABN AMRO Group N.V.

Report on the annual financial statements

We have audited the accompanying annual financial statements 2010 of ABN AMRO Group N.V., Amsterdam. The annual financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2010, the company statement of comprehensive income, statement of changes in equity for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the managing board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ABN AMRO Group N.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of ABN AMRO Group N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the managing board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the managing board report, to the extent we can assess, is consistent with the annual financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 17 March 2011

KPMG ACCOUNTANTS N.V.

D. Korf RA

other

composition 15 of the Supervisory Board



From left to right:
Hans de Haan (front),
Bert Meerstadt,
Peter Wakkie,
Steven ten Have,
Annemieke Roobeek,
Hessel Lindenberg,
Marjan Oudeman and
Rik van Slingelandt



Hessel Lindenberg

- ▶ Chairman (1943)^{1,2,3}
- ▶ M, Dutch, appointed on 18 December 2009
- ▶ Present term expires on 18 December 2013
- ▶ Last position held: Member of the Managing Board of ING Group

Affiliations

- ▶ Chairman of Supervisory Board, Bank voor de Bouwnijverheid N.V.
- ▶ Chairman of Supervisory Board, Agendia B.V.
- ▶ Chairman of Board, Centraal Fonds Volkshuisvesting
- ▶ Member of Supervisory Board, Ortec Finance B.V.
- ▶ Member of Supervisory Board, Gamma Holding N.V.
- ▶ Member of Supervisory Board, Zeeman Groep B.V.
- ▶ Member of Supervisory Board, DHV Holding N.V.
- ▶ Member of Supervisory Board, Doctors Pension Funds Services B.V.
- ▶ Member of Board of Trustees, University of Amsterdam
- ▶ Member of Board, Stichting Bescherming TNT, Stichting Vopak, Stichting Preferente Aandelen Wolters Kluwer, Stichting Administratiekantoor van Aandelen Telegraaf Media Groep N.V.



Hans de Haan (1944)^{1,2}

- ▶ M, Dutch, appointed on 18 December 2009
- ▶ Present term expires on 18 December 2013
- ▶ Last position held: Chartered accountant and partner with Ernst & Young Accountants

Affiliations

- ▶ Member of Board, Stichting Trustee Achmea Hypotheekbank
- ▶ Trustee in the bankruptcy of Van der Hoop Bankiers N.V.
- ▶ Trustee in the bankruptcy of N.V. De Indonesische Overzeese Bank



Steven ten Have (1967)³

- ▶ M, Dutch, appointed on 30 March 2010
- ▶ Present term expires on 30 March 2014
- ▶ Current position: Partner with Ten Have Change Management and professor of Strategy & Change at Vrije Universiteit in Amsterdam

Affiliations

- ▶ Chairman of Supervisory Board, Cito B.V.
- ▶ Vice-Chairman of Supervisory Board, Stichting Cito Instituut voor Toetsontwikkeling (Cito Institute for Educational Testing Development)
- ▶ Chairman, Postgraduate study Change Management, Vrije Universiteit, Amsterdam
- ▶ Member, Committee for Social Innovation, Ministry of Economic Affairs
- ▶ Member of Board, Stichting INK (Instituut Nederlandse Kwaliteit) (Institute for Netherlands Quality)
- ▶ Member, Editorial Committee (Redactieraad) Management & Consulting

¹⁾ Audit Committee

²⁾ Remuneration, Selection & Nomination Committee

³⁾ Risk & Capital Committee


Bert Meerstadt (1961)¹

- ▶ M, Dutch, appointed on 30 March 2010
- ▶ Present term expires on 30 March 2014
- ▶ Current position: Chairman of the Board of N.V. Nederlandse Spoorwegen (Netherlands Railways)

Affiliations

- ▶ Member of Supervisory Board, Lucas Bols
- ▶ Chairman of Board, Friends of Concertgebouw and Royal Concertgebouworchestra
- ▶ Chairman of Marketing Advisory Board Rijksmuseum
- ▶ Chairman of Society for Prevention and Saving of Drowning Victims
- ▶ Chairman of Board Blinden-Penning Foundation for the Blind and Visually Impaired


Marjan Oudeman (1958)³

- ▶ F, Dutch, appointed on 1 April 2010
- ▶ Present term expires on 1 April 2014
- ▶ Last position held: Member of Executive Committee of AKZO N.V.

Affiliations

- ▶ Member of Supervisory Board, N.V. Nederlandse Spoorwegen (Netherlands Railways)
- ▶ Member of Board of Directors of the Concertgebouw Foundation
- ▶ Governor of the National 4 and 5 May Committee


Annemieke Roobeek (1958)²

- ▶ F, Dutch, appointed on 30 March 2010
- ▶ Present term expires on 30 March 2014
- ▶ Current position: Professor of Strategy and Transformation Management (Nyenrode University) and director and owner of MeetingMoreMinds and Open Dialogue B.V.

Affiliations

- ▶ Chairperson of Netherlands Center for Science and Technology (NCWT) and NEMO – Science Center, Amsterdam
- ▶ Chairperson of INSID, Foundation for sustainability and innovation realisation directed by His Royal Highness Prince Carlos de Bourbon Parma
- ▶ Member of Supervisory Board, Draka Holding N.V. (until April 2010)
- ▶ Member of Supervisory Board, RAI Amsterdam Exhibition Centres
- ▶ Member of Supervisory Board, Abbott Healthcare Products B.V.
- ▶ Member of VROM-Council, responsible for a future outlook on urbanism and sustainability
- ▶ Chairperson of the governmental RLI Committee on the Transition towards Renewable Energy
- ▶ Member of Board, Foundation of the Medical Centre of Vrije Universiteit Amsterdam

¹⁾ Audit Committee

²⁾ Remuneration, Selection & Nomination Committee

³⁾ Risk & Capital Committee


Rik van Slingelandt (1946) ^{1,2,3}

- ▶ M, Dutch, appointed on 27 October 2010
- ▶ Present term expires on 27 October 2014
- ▶ Last position held: Member of Managing Board of Rabobank

Affiliations

- ▶ Supervisory Director, Kahn Scheepvaart B.V.
- ▶ Advisor, Redevco B.V.
- ▶ Member of Board, Stichting Neijenburg
- ▶ Chairman, Save the Children Fund Netherlands


Peter Wakkie (1948) ^{2,3}

- ▶ M, Dutch, appointed on 18 December 2009
- ▶ Present term expires on 18 December 2013
- ▶ Current position: Partner at law firm Spinath & Wakkie B.V.

Affiliations

- ▶ Vice-Chairman of Supervisory Board, Wolters Kluwer N.V.
- ▶ Member of Supervisory Board, TomTom N.V.
- ▶ Member of Supervisory Board, BCD Holdings N.V.
- ▶ Member of Board, Association for Corporate Litigation
- ▶ Member of Board, VEUO
- ▶ Member, Monitoring Committee Corporate Governance Code

¹⁾ Audit Committee

²⁾ Remuneration, Selection & Nomination Committee

³⁾ Risk & Capital Committee

composition 16 of the Managing Board



From left to right:
Johan van Hall,
Chris Vogelzang,
Joop Wijn,
Wietze Reehoorn,
Jan van Rutte,
Caroline Princen
and Gerrit Zalm

Managing Board

Gerrit Zalm (58, M)
Jan van Rutte (60, M)
Johan van Hall (50, M)
Caroline Princen (44, F)
Wietze Reehoorn (48, M)
Chris Vogelzang (48, M)
Joop Wijn (41, M)

Principal Responsibilities

Chairman
Chief Financial Officer/Vice-Chairman
Chief Operating Officer
Integration, Communication & Compliance
Chief Risk Officer and Strategy
Retail & Private Banking
Commercial & Merchant Banking

Age and gender between brackets. All members of the Managing Board are Dutch.

curricula vitae



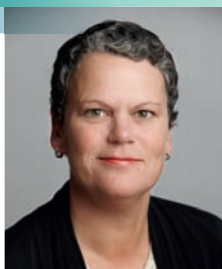
Gerrit Zalm was appointed to the ABN AMRO Bank Managing Board on 23 December 2008, in the role of Vice Chairman. On 28 February 2009, he was appointed Chairman of the Managing Board. He was appointed to the Managing Board of ABN AMRO Group N.V. and Fortis Bank (Nederland) N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.) in the same position on 1 April 2010. He studied General Economics at Vrije Universiteit Amsterdam, graduating in 1975. He began working for the Ministry of Finance as an employee of the Economic Affairs section of the Budget Preparation Division in 1975. He was appointed Head of that section in 1977, and in 1978 he became Head of the Division. In 1981, he was appointed Deputy Director for Budgetary Affairs and Head of the Budget Preparation Division. Two years later, he was appointed Deputy Director for General Economic Policy at the Ministry for Economic Affairs, and in 1985 he became Director. From 1988, Gerrit Zalm was employed at the Central Planning Bureau, first as Deputy and later as Head. In 1990, he also became a professor at Vrije Universiteit Amsterdam. He was Minister of Finance during the first and second terms of the cabinet of Dutch Prime Minister Wim Kok from 1994 until 2002. During 2002 and 2003, he was a Member of the Dutch Parliament and Chairman of VVD, his party's parliamentary representation. From 2003 until 2007, he was Minister of Finance and Deputy Prime Minister in the second and third terms of the cabinet of Prime Minister Balkenende. After leaving the Dutch government in 2007, he was Chief Economist at DSB Bank until December 2007, after which he served as Chief Financial Officer until January 2009. In 2009, he became Chairman of the ABN AMRO and Fortis Bank Nederland Transition Team that was responsible for the integration of ABN AMRO and Fortis Bank Nederland until 1 April 2010.



Jan van Rutte was appointed to the ABN AMRO Bank N.V. Managing Board on 1 April 2010 and is the Chief Financial Officer and Vice Chairman of the Managing Board. On the same date, he was appointed to the same position for Fortis Bank (Nederland) N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.). Jan van Rutte was appointed to the Managing Board of ABN AMRO Group N.V. on 18 December 2009. Jan van Rutte began his career as a controller in the financial control department of Algemene Bank Nederland. He joined Pierson Heldring & Pierson (later MeesPierson) in 1981, where he held various positions in Finance & Control. In 1999 he was appointed General Director of Finance for Fortis Bank NV/SA in Brussels and of Fortis Bank Nederland NV in the Netherlands. In 2001, he became a member of the Managing Board of Fortis Bank (Nederland) N.V. as well as Chief Financial Officer of Fortis Merchant Bank. In 2006, he was appointed Chairman of the Managing Board of Fortis Bank (Nederland) N.V. In 2009, he became Vice Chairman of the ABN AMRO and Fortis Bank Nederland Transition Team that was responsible for the integration of ABN AMRO and Fortis Bank Nederland, with a focus on the Finance function, until 1 April 2010. He holds a Master of Business Administration in Economics (1978) from Erasmus University Rotterdam.



Johan van Hall was appointed to the ABN AMRO Managing Board on 28 February 2009, and is the Chief Operating Officer responsible for Technology, Operations & Property Services (TOPS). He was appointed to the Managing Board of ABN AMRO Group N.V. on 18 December 2009 and of Fortis Bank (Nederland) N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.) on 1 April 2010. He joined ABN AMRO in 1982, where he began his career in Audit. In the following 12 years, he had various responsibilities within IT Audit, both in the Netherlands and abroad. He was previously Global Head of IT Audit, reporting to the Director of Group Audit. He subsequently moved to the role of Division Information Manager within the domestic division of the bank. As of 1999, he took responsibility for the development of the Multi Channel Platform, focusing on the development and integration of new distribution channels (including the internet and mobile) and client relationship management systems. In early 2004, Johan van Hall became member of the Management Team of Business Unit Netherlands, responsible for Business Solutions & Services. After being made responsible for Services Region NL, he was subsequently appointed Chief Operating Officer. After the takeover of ABN AMRO by the Consortium banks in October 2007, Johan van Hall became responsible for the separation of the Dutch State-acquired businesses in addition to his role of Chief Operating Officer of the Dutch State-acquired businesses. In 2009, he joined the ABN AMRO and Fortis Bank Nederland Transition Team, responsible for the integration of ABN AMRO and Fortis Bank Nederland, with a focus on Operations, Property and IT, until 1 April 2010. He completed his Chartered Accountancy studies (NIVRA) in 1987 and earned a post Master's degree in IT Audit from Vrije Universiteit Amsterdam in 1989.



Caroline Princen was appointed to the Managing Board of ABN AMRO Group N.V., ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.) on 1 April 2010, and is responsible for ICC (Integration, Communication & Compliance), HR, Legal and Sustainability. Caroline Princen started her career in 1992 as an advisor with YDL Management Consultants. She was made Partner in 1996 and was appointed Managing Partner in 2001. She worked as a management consultant in the field of turn-around and change management for various national and international companies such as ABN AMRO, KLM, Douwe Egberts, KPN and Swiss Cargo. In 2005, she was appointed Chief Executive Officer of Nedstaal B.V. Caroline Princen was elected Female Manager of the Year 2008. In 2009, she joined the ABN AMRO and Fortis Bank Nederland Transition Team that was responsible for the integration of ABN AMRO and Fortis Bank Nederland until 1 April 2010, with a focus on Communication, Compliance, HR, Legal, and Sustainability. She holds a Master's degree in Organisational Psychology (1992) from the University of Utrecht.



Wietze Reehoorn was appointed to the Managing Board of ABN AMRO Group N.V., ABN AMRO Bank N.V. and Fortis Bank Nederland N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.) on 1 April 2010, as Chief Risk Officer responsible for Risk Management & Strategy. He joined ABN AMRO in 1989 as a trainee and held several senior management positions in Wholesale, Commercial & Corporate Banking and Risk Management in Business Unit Netherlands and Europe. In 2000, he was appointed as a Corporate Executive Vice-President, responsible for Financial Restructuring & Recovery (FR&R) and in 2001 he also became a member of the Management Team of ABN AMRO Netherlands responsible for Risk Management (including FR&R). In 2002, he became Head of Corporate Development of ABN AMRO Group N.V. responsible for Group strategy en M&A. He became a member of the Management Team of ABN AMRO Netherlands in 2004, responsible for Corporate Clients, and later became Head of Commercial and Corporate Banking. After the takeover of ABN AMRO by the Consortium in October 2007, Wietze Reehoorn was appointed CEO of Merchant Banking for the combined commercial and corporate banking businesses in the Netherlands. In 2009, he joined the ABN AMRO and Fortis Bank Nederland Transition Team responsible for the integration of ABN AMRO and Fortis Bank Nederland, with a focus on Risk Management & Strategy, until 1 April 2010. He holds a Master's degree in Dutch Law (1986) from the University of Groningen.



Chris Vogelzang was appointed to the Managing Board of ABN AMRO Bank on 28 February 2009, responsible for BU NL and BU Private Clients. He was appointed to the ABN AMRO Group N.V. and Fortis Bank (Nederland) N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.) Managing Board responsible for Retail & Private Banking on 1 April 2010. Chris Vogelzang began his career in 1988 with Royal Dutch Shell Group. During his tenure there, he held senior management positions in sales, oil trading and marketing and had various international assignments in a number of countries in Africa and Europe. He joined ABN AMRO Bank in 2000 as a Corporate Executive Vice-President, responsible for Retail Marketing and later became Head of Business Development Netherlands. He was subsequently named Head of Consumer Banking Netherlands, responsible for all domestic sales, marketing and product development activities in the consumer market, and was a member of the Management Team of ABN AMRO Netherlands. In 2007, Chris Vogelzang was appointed Senior Executive Vice-President, responsible for Business Unit Private Clients. He also served as the Chief Executive Officer of Fortis Private Banking in 2008. In 2009, he joined the ABN AMRO and Fortis Bank Nederland Transition Team responsible for the integration of ABN AMRO and Fortis Bank Nederland, with a focus on Retail & Private Banking, until 1 April 2010. He holds a Master's degree in Economics (1988) from the University of Groningen.



Joop Wijn was appointed to the Managing Board of ABN AMRO Group N.V., ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. (as per 1 July 2010, merged with ABN AMRO Bank N.V.) on 1 April 2010, and is responsible for Commercial & Merchant Banking. Joop Wijn joined ABN AMRO in 1994 as an Investment Manager for ABN AMRO Private Equity. In 1998, he entered politics as a Member of Parliament. In 2002, he was appointed State Secretary of Economic Affairs after which he became State Secretary of Finance. In 2006, he was appointed Cabinet Minister of Economic Affairs. From 2007 until 2009, Joop Wijn was Senior Executive Vice President at Rabobank. In 2009, he joined the ABN AMRO and Fortis Bank Nederland Transition Team responsible for the integration of ABN AMRO and Fortis Bank Nederland, with a focus on Commercial & Merchant Banking, until 1 April 2010. He holds a Master's degree in Dutch Law (1994) and a Master's degree in Economics (1991), both from the University of Amsterdam.

senior managing directors 17

Name

Paulus de Wilt
Jeroen Rijpkema
Frans van Lanschot
Hans Hanegraaf
Jos ter Avest
Ruut Meijer
Rutger van Nouhuijs
Fred Bos
Frans Woelders
Frans van der Horst

Company Secretary

Gwendolyn van Tunen

Responsibilities

Retail Banking
Private Banking International
Private Banking Netherlands
Business Banking
Markets
Corporate Clients
Large Corporates & Merchant Banking
Central Risk Management
IT Solutions & Services
Business Services

works council 18

From Central Works Council to Transitional Central Works Council

The bank's Central Works Council was renamed the Transitional Central Works Council on 1 July 2010, the date on which ABN AMRO and Fortis Bank Nederland merged. Eighteen members of the former ABN AMRO Central Works Council and seven members of the former Fortis Bank Nederland Works Council now form the Transitional Central Works Council, which promotes the interests of all staff and ensures continuity of employee representation. The Transitional Central Works Council will operate until the bank's new employee representation body is established in the first quarter of 2011.

Both former works councils signed an agreement stating that the Transitional Central Works Council is the bank's only authorised consultative body. In practice, all former works councils and related committees no longer formally exist and all members of the former consultative bodies will continue to work as advisory work groups until Works Council elections are held in the first quarter of 2011. They act as a staff liaison and handle all requests for advice, while the Transitional Central Works Council ratifies the advice.

Relationship between Transitional Central Works Council and Managing Board

The Transitional Central Works Council represents ABN AMRO employees based in the Netherlands. On behalf of management, Caroline Princen is the representative Board member who has regular meetings – and an open and constructive dialogue – with the Transitional Central Works Council. The Transitional Central Works Council met with CEO Gerrit Zalm on three occasions in 2010 to discuss a range of topics.

Relationship between Transitional Central Works Council and Supervisory Board

The Transitional Central Works Council held a number of interviews in an open and constructive manner with new members of the Supervisory Board.

Requests for advice

More than 100 requests for advice were processed in 2010. The Transitional Central Works Council and the Managing Board made agreements on several fronts to safeguard the interests of staff affected by the integration.

EC Remedy

ABN AMRO's shares in NEWBank and IFN Finance were transferred to Deutsche Bank on 1 April 2010. The request for advice took nearly two-and-a-half years to process due to the complexity of the acquisition. The Central Works Council (functioning prior to the Transitional Central Works Council) held a series of constructive consultations with ABN AMRO and Deutsche Bank with a view to safeguarding the legal position of NEWBank and IFN staff with respect to employment conditions and pensions. Agreements were made with ABN AMRO Bank and Deutsche Bank to the satisfaction of all involved.

The New World of Work

The New World of Work is aligned with ABN AMRO's strategy, as it helps reduce costs. The Transitional Central Works Council also advocates the New World of Work and actively seeks to promote employee commitment and awareness in this area.

Hot desking

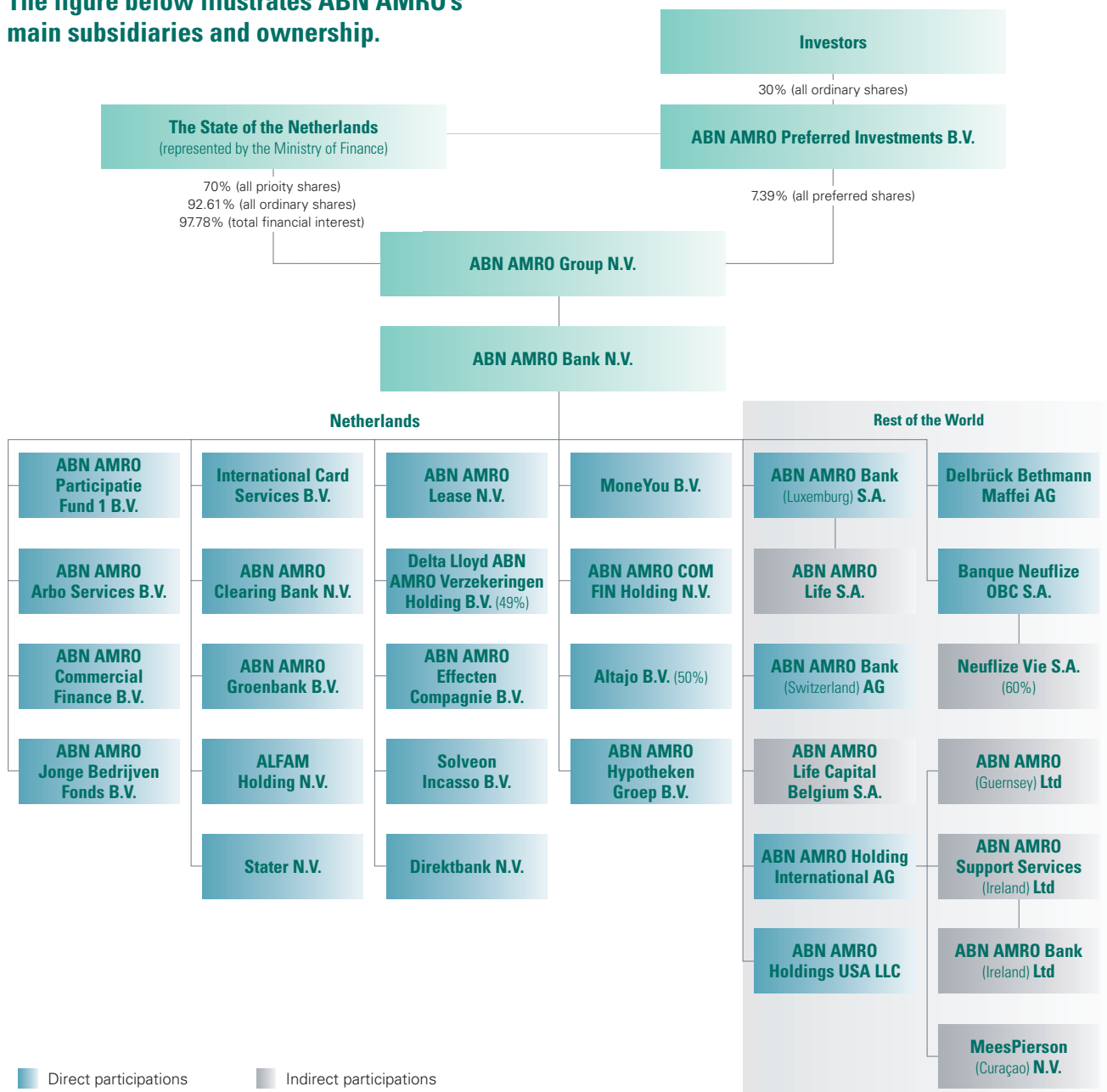
In the spring of 2010, a focus group studied the implications of planned staff relocations and presented proposals for minimising the negative consequences for staff. Smart alternatives were explored for reducing the bank's need to concentrate work, where possible, at central locations. The Transitional Central Works Council contributed to the agreement to set up 250 hot desks across the Netherlands. A new proposal has since been launched for comprehensive, bank wide mobility management. The bank has responded positively to this initiative. A focus group has been formed to present proposals in mid-2011.

Strategy – Nyenrode University course

What course and strategy will ABN AMRO pursue in the years ahead? How does the bank's future look? The Transitional Central Works Council is a proactive partner for management when it comes to tackling these issues. To add value as an employee representation body, the Council needs extensive expertise and in-depth knowledge of strategy development methods. To this end, the Council organised a course in late September 2010 on strategy development for its members and staff from the businesses. Participants discussed the pressing issues facing the bank in the coming years in view of its various stakeholders.

legal structure and ownership 19

The figure below illustrates ABN AMRO's main subsidiaries and ownership.



abbreviations 20

AACF	ABN AMRO Capital Finance	ECT	Energy, Commodities & Transportation
ACF	ABN AMRO Commercial Finance	EMTN	European Medium-Term Notes
AAHG	ABN AMRO Hypotheken Groep	EU	European Union
ACI	(Former) Fortis Corporate Insurance	EUR	Euro
ACSM	Alternative Coupon Satisfaction Mechanism	FCD	French Certificats de Dépôt
AFM	Netherlands Authority for the Financial Markets	FR&R	Financial Restructuring & Recovery
A-IRB	Advanced Internal Rating Based Approach	FTE	Full-time equivalent
ALCO	Asset and Liability Committee	FTP	Funds Transfer Price
ALM/T	Asset & Liability Management / Treasury	FX	Foreign exchange
AMA	Advanced Measurement Approach	GBP	British pound
AUD	Australian dollar	GRC	Group Risk Committee
AuM	Assets under Management	HR	Human Resources
BCM	Business Continuity Management	I&C	Institutions & Charities
BKR	National Credit Register	IAC	Investment Advisory Centre
BRO	Business Risk Officers	IBNI	Incurred but not identified
C&MB	Commercial & Merchant Banking	ICAAP	Internal Capital Adequacy Assessment Process
CAO	Collective labour agreement	ICB	Industry Classification Benchmark
CBI	International Commercial Banking	ICC	Integration, Communication & Compliance
CBS	Statistics Netherlands (National Statistics Office)	ICS	International Card Services
CCC	Central Credit Committee	ID&JG	International Diamond & Jewelry Group
CDO	Collateralised Debt Obligations	IT	Information Technology
CDS	Credit default swaps	IT S&S	IT Systems & Security
CEBS	Committee of European Banking Supervisors	JPY	Japanese yen
CHF	Swiss franc	LC&MB	Large Corporate & Merchant Banking
CISO	Corporate Information Security Officer	LCR	Liquidity coverage ratio
COO	Chief Operating Officer	LGD	Loss-given default
CP	Commercial Paper	LtD	Loan-to-Deposit ratio
CRD	Capital Requirements Directive	M&A	Mergers and Acquisitions
CRI	Capital Relief Instrument	MCN	Mandatory Convertible Notes
DNB	De Nederlandsche Bank (Dutch central bank)	MCS	Mandatory Convertible Securities
EAD	Exposure at Default	NGO	Non-governmental organisation
EC	European Commission	NII	Net interest income
ECB	European Central Bank	NPV	Net present value
ECP	European Commercial Paper	NVB	Dutch Banking Association

NYSE	New York Stock Exchange
OECD	Organisation for Economic Cooperation and Development
OTC	Over-the-counter
P & S	Products & Solutions
PD	Probability of Default
PIP	Private Investor Programmes
PWM	Private Wealth Management
R&PB	Retail & Private Banking
RM&S	Risk Management & Strategy
RMBS	Residential Mortgage Backed Securitisations
RWA	Risk-weighted Assets
SF/NLA	Stable funding over non-liquid assets ratio
SME	Small and medium-sized enterprises
SPE	Special purpose entity
TOPS	Technology, Operations & Property Services
UCR	Uniform Counterparty Rating
UHNW	Ultra High Net Worth
USD	US dollar
VaR	Value-at-Risk

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