



ABN·AMRO

ABN AMRO Group N.V.

Interim Financial Report 2010

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Management report

1 Important notes to the reader

This document contains the interim financial report for the first half year 2010 of ABN AMRO Group N.V. and its consolidated subsidiaries.

Until 30 June 2010, ABN AMRO Group N.V. was the parent of both ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. On 1 July 2010, the legal merger between Fortis Bank (Nederland) N.V. and ABN AMRO Bank N.V. came into force whereby Fortis Bank (Nederland) N.V. ceased to exist.

Important definitions

'ABN AMRO' refers to ABN AMRO Group N.V. and its consolidated subsidiaries. The name 'ABN AMRO Group' or 'the Company' refers to ABN AMRO Group N.V., the parent company of ABN AMRO consolidated group of companies.

'ABN AMRO Bank' means ABN AMRO Bank N.V. (formerly known as 'ABN AMRO II N.V.'), which entity contains the Dutch State-acquired businesses of the former ABN AMRO group, as acquired by a consortium of banks through RFS Holdings B.V. on 17 October 2007. The holding company of the former ABN AMRO group was ABN AMRO Holding N.V. (now renamed RBS Holdings N.V.).

'Fortis Bank Nederland' refers to Fortis Bank (Nederland) N.V.

'Legal merger' refers to the legal merger effective on 1 July 2010 between ABN AMRO Bank and Fortis Bank Nederland into a combined entity operating under the name of ABN AMRO Bank N.V.

'Dutch State' refers to the State of the Netherlands.

'EC Remedy' refers to the disposal of NEW HBU II N.V. (NEW HBU II) and IFN Finance B.V. (IFN Finance) as required by the European Commission for the approval of the integration of ABN AMRO Bank and Fortis Bank Nederland.

'Legal demerger' refers to the transfer on 6 February 2010 of the majority of the Dutch State-acquired businesses from the former ABN AMRO Bank N.V. (renamed RBS N.V.) to the current ABN AMRO Bank N.V.

'Legal separation' refers to the transfer on 1 April 2010 of the shares of the current ABN AMRO Bank N.V. from ABN AMRO Holding N.V. (renamed RBS Holdings N.V.) 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.

'RBS N.V.' refers to the former ABN AMRO Bank N.V. which was renamed to the Royal Bank of Scotland N.V. after the legal demerger.

'RFS Holdings B.V.' refers to the holding company through which the consortium of banks consisting of The Royal Bank of Scotland Group plc ('RBS'), Fortis N.V. and Fortis SA/NV (together 'Fortis') and Banco Santander S.A. ('Santander') jointly acquired ABN AMRO Holding N.V. on 17 October 2007. On 24 December 2008, the Fortis Bank (Nederland) N.V. stake in RFS Holdings was transferred to the Dutch State, following the acquisition by the Dutch State in October 2008 of Fortis Bank (Nederland) N.V., including its stake in RFS Holdings.

'EUR' refers to euros.

'USD' refers to US dollars.

Basis of preparation

The condensed interim financial statements are the first interim financial statements prepared by ABN AMRO Group consolidating the businesses of ABN AMRO Bank and Fortis Bank Nederland for the first half year 2010.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the pro forma audited financial statements as part of the ABN AMRO Bank N.V. Annual Review as at 31 December 2009 and the audited financial statements of Fortis Bank (Nederland) N.V. as part of the Annual Report as at 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and IFRS as adopted by the European Union, respectively.

The current structure of the ABN AMRO Group consists of various different steps which were 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 different steps leading to the creation of the new ABN AMRO Group have been accounted for in the condensed interim financial statements as described below.

The combination of ABN AMRO Group and ABN AMRO Bank can be regarded as a continuation of the financial reporting of the Dutch State-acquired businesses of the former ABN AMRO Bank (now named RBS N.V.), because ABN AMRO Group did not constitute a business as of the date ABN AMRO Bank was acquired. As a result, the condensed interim financial statements include the results of ABN AMRO Bank and Fortis Bank Nederland for the first half year 2010, as if the combination with ABN AMRO Group was effectuated on 1 January 2010. Comparative information has been included for 2009 under similar assumptions.

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 condensed interim financial statements of ABN AMRO Group include the financial results of Fortis Bank Nederland for the full six months ended 30 June 2010, as if the two banks have been together as of 1 January 2010. Comparative information has been included for 2009.

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, and 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 at the moment 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. The accounting policies and principles of ABN AMRO Bank and Fortis Bank Nederland have been harmonised. Any 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 provided in under the General Information, Accounting Policy harmonisations.

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.

Presentation of information

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

The interim financial report 2010 discloses more details than strictly needed by IFRS to be able to present the consolidated figures of the Company for the first time. Future interim financial reports may not be as extensive as presented in this report.

The condensed interim financial statements are presented in EUR, which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

All half-year averages in the interim financial 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 sum up exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures. Please note that the current segmentation is still subject to change.

This interim financial report contains the management report as well as condensed interim financial statements.

The figures exclude the Dutch State's interest in the so-called 'Shared Assets' included in RFS Holdings B.V., which are directly held by the Dutch State.

Divestments

The figures of ABN AMRO Group include the results of the activities disposed of in connection with the EC Remedy for the year 2009 and the first three months of 2010, as the sale of these activities was only completed on 1 April 2010. In this report the activities disposed of under the EC Remedy have not been classified as discontinued operations.

The sale of Intertrust was completed at the end of 2009 and therefore the results of Intertrust are included in the 2009 results and balance sheet.

Prime Fund Solutions is included in the financials up to the pending completion of the announced sale.

Cautionary statement on forward-looking statements

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

In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO’s potential exposures to various types of market risks, 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 our control.

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

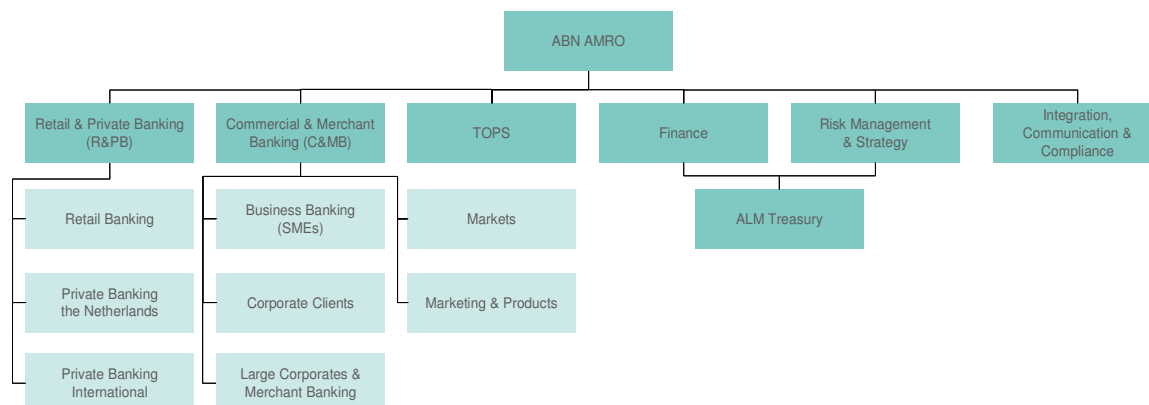
- the extent and nature of future developments and continued volatility in the credit markets and their impact on the financial industry in general and ABN AMRO in particular;
- the effect on ABN AMRO’s capital of write downs in respect of credit exposures;
- risks related to ABN AMRO’s merger, separation 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 G-7 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 interim financial report are only applicable as at 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 ABN AMRO may make in ABN AMRO’s interim reports.

2 Profile

Business profile and activities

ABN AMRO provides a broad range of financial services through its businesses Retail & Private Banking and Commercial & Merchant Banking. The bank conducts its operations primarily in the Netherlands and selectively abroad.



ABN AMRO has 6.8 million customers, 28,000 employees, 500 branches in the Netherlands, 78 commercial client branches, 68 private banking branches (47 abroad) and its own international network in 28 countries. The bank seeks to maintain sustainable relationships with its Dutch clients, both as their primary bank in the Netherlands and for all their business abroad.

Retail Banking serves individuals, small businesses and self-employed people. It offers a wide variety of banking and insurance products and services through the branch network, online and via contact centres as well as through subsidiaries. Private Banking in the Netherlands operates under the ABN AMRO MeesPierson label. Private Banking operates in a select number of countries of Europe and Asia under the ABN AMRO label or under local brand names such as Neufilize and Delbruck 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.

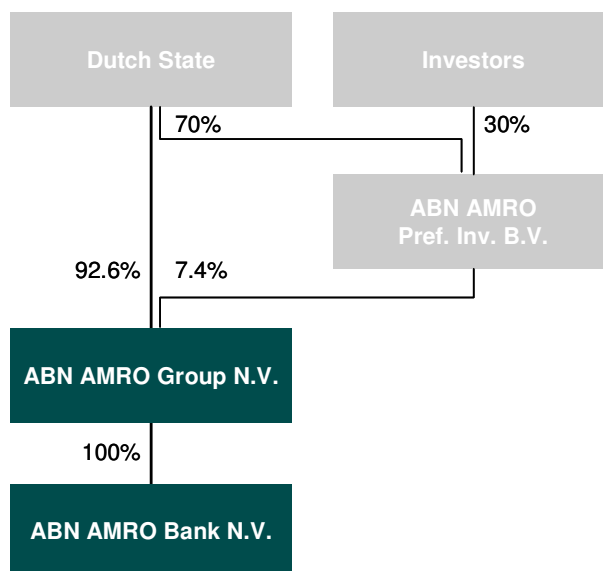
Commercial & Merchant Banking offers customised financial advice and solutions to Dutch-based companies and their international operations. Its client base includes business start-ups, established small & medium enterprises and larger corporate clients, as well as public institutions, multinationals and institutional investors. It is organised along four business activities servicing defined client groups, i.e. Business Banking, Corporate Clients, Large Corporates & Merchant Banking and Markets. Marketing & Products is the central unit for marketing, communications, product management (loans, working capital and insurance) and sector advisory.

The segment Other includes support functions such as Finance (including ALM/Treasury), Technology Operations Property and Services, Risk Management & Strategy, Integration Communication & Compliance, Audit and the Corporate Secretariat.

Legal structure and ownership

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

The section Separation & integration provides further details on each of the underlying restructuring steps.



Credit ratings

In connection with the legal merger, the rating agencies have reviewed and updated their credit ratings.

30 June 2010¹

Standard & Poor's	
Long-term rating	A
Short-term rating	A-1
Outlook	Stable
Moody's	
Long-term rating	Aa3
Short-term rating	P-1
BFSR ²	C-
Outlook ³	Stable
Fitch ratings	
Long-term rating	A+
Short-term rating	F1+
Stand-alone rating	D
Outlook	Stable
DBRS	
Long-term rating	A ^{high}
Short-term rating	R-1 ^{middle}
Intrinsic rating	A
Outlook	Stable

For full details and the latest credit ratings, please consult the rating agencies' reports at www.abnamro.com/ratings.

¹ On 30 June 2010, the listed credit ratings were the applicable expected ratings of ABN AMRO Bank conditional to the legal merger with Fortis Bank Nederland. Following the finalisation of the legal merger on 1 July 2010, the credit ratings have been (re)confirmed.

² Bank Financial Strength Rating, the outlook of which is positive.

³ Outlook of the long-term credit rating.

3 Chairman's letter

"This is the first time that the consolidated results of ABN AMRO Group are presented. Although these results are impacted by several significant items, mainly due to the closing of the EC Remedy and separation, integration and restructuring costs, the underlying profitability of the bank has improved compared to last year. Excluding items such as the loss on the EC Remedy and restructuring, separation and integration costs in both periods, a net profit of EUR 325 million was recorded, compared with a net profit of EUR 207 million in the first half of 2009.

This underlying performance was driven by an increase in revenues, predominantly as a result of growth of the loan portfolio and improved margins on savings products, as market conditions improved. Continued cost management was masked by several large additions to the legal provision and the costs of rebuilding our product capabilities and international network in a selected number of countries. Impairments were lower, reflecting the early improvements seen in the Dutch economy. We have seen a decline in corporate defaults in our loan book, both in numbers and in size, as well as a significantly lower level of loan loss provisioning in the Retail & Private Banking portfolio. However, we remain cautious and expect the level of loan impairments in the remainder of the year to be somewhat higher than the low levels seen in the first six months.

The first six months of the year were marked by the preparations for the legal merger, which was effectuated on 1 July 2010, and the start of the integration of both banks into a new bank: a bank with a centuries-old history that combines the best of ABN AMRO Bank and Fortis Bank Nederland. By early July, the planned reduction of 150 branches to 500 branches was finalised and to secure a controlled transition for Fortis Bank Nederland customers, branches will remain 'two-in-one' temporarily. Customers clearly appreciate this temporary dual service. At the same time, nearly 8,500 employees, most of them working for the retail bank, were given clarity on whether they will be placed in a new job. The overriding theme is the 'from work to work' principle. Throughout this process our employees have continuously served our customers in a professional manner, and for this we are very grateful. At the same time, we thank our customers for the trust they have continued to place in us. A next step in the integration is the transfer of the data of 1.6 million Fortis Bank Nederland retail customers to the IT platform of ABN AMRO Bank, scheduled to take place later this year. By the end of 2010 the integration of the retail activities will largely be finalised. Private Banking and Commercial & Merchant Banking will follow in 2011 and 2012. During this process, our main objective is to secure a seamless transition for our customers."

Gerrit Zalm
Chairman of ABN AMRO Group

4 Management review

This report should be read in conjunction with the condensed interim financial statements 2010 (including the summary of significant accounting policies). Please also refer to section 'Important notices to the reader' for more information on the scope applied in the financial information.

Key developments

- The reported net result in the first half of 2010 amounted to a loss of EUR 968 million, due mainly to the closing of the EC Remedy and separation, integration and restructuring costs
- Excluding these items, the underlying net result increased by 57% to EUR 325 million, compared with an underlying net profit of EUR 207 million in the first half of 2009
- This increase was driven by higher net interest income and lower impairments
- The underlying cost/income ratio moved from 71% to 75% due to several large additions to the legal provision totalling EUR 265 million; excluding these, the underlying cost/income ratio improved to 68%
- At 30 June 2010, the pro forma combined Tier 1 capital ratio and total capital ratio under Basel II were 12.3% and 17.0% respectively

Consolidated income statement

<i>(in millions euros)</i>	<i>First half year 2010</i>	<i>First half year 2009</i>	<i>% change</i>	<i>First half year 2010</i>	<i>First half year 2009</i>	<i>% change</i>
	<i>Reported</i>	<i>Reported</i>		<i>Underlying</i>	<i>Underlying</i>	
Net interest income	2,436	2,180	12%	2,436	2,180	12%
Non-interest income	401	1,665	(76%)	1,213	1,302	(7%)
Operating income	2,837	3,845	(26%)	3,649	3,482	5%
Operating expenses	(3,390)	(2,550)	33%	(2,744)	(2,472)	11%
Loan impairments	(348)	(772)	(55%)	(348)	(772)	(55%)
Profit / (loss) before taxation	(901)	523	(272%)	557	238	134%
Income tax expense	(67)	(103)	(35%)	(232)	(31)	648%
Profit / (loss) for the period	(968)	420	(330%)	325	207	57%
Assets Under Management	151,977	138,567	10%			
Cost/income ratio	119%	66%		75%	71%	
Risk Weighted Assets	120,152					
FTEs	27,870	30,341				

Profit for the period

ABN AMRO Group posted a net loss for the period of EUR 968 million over the first half year of 2010. This result was negatively impacted by the following developments.

The reported figures are impacted by several items which are related to the separation ABN AMRO Bank from RBS N.V. and Fortis Bank Nederland from BNP Paribas Fortis and the integration of ABN AMRO Bank and Fortis Bank Nederland. As the reported results do not give a good indication of the underlying trends, the 2009 and 2010 figures have been adjusted for these items. In the analysis presented below, the underlying figures are the reported figures excluding these items.

These items are the transaction result on the closing of the sale of NEW HBU II N.V. (NEW HBU II) and IFN Finance B.V. (IFN Finance) (the EC Remedy), an exceptional result following a settlement on Fortis Capital Company (FCC), a restructuring provision, and integration and separation costs.

The restructuring provision was incurred for the planned reduction in personnel and housing resulting from the integration of ABN AMRO Bank and Fortis Bank Nederland. The restructuring provision is in addition to the separation and integration costs which are recorded as current costs in all segments until completion of the integration in 2012. The total transaction result of the closing of the EC Remedy amounted to a loss of EUR 812 million. The negative result is mainly due to a loss on the book value, a guarantee provided for the potential losses on the assets sold (the Credit Umbrella), the cost of indemnification for cross-liability exposure and separation and migration costs.

The total impact of these items is stated below. Unless otherwise indicated, these items are recorded in the segment 'Other'.

(in millions euros)	First half year 2010		First half year 2009	
	Gross	Net	Gross	Net
Transaction loss on sale of EC Remedy	(812)	(812)		
Exceptional gain on cash settlement FCC			363	271
Integration and separation costs	(646)	(481)	(78)	(58)
<i>Restructuring provisions</i>	(469)	(349)		
<i>Project costs in Retail & Private Banking</i>	(22)	(16)	7	5
<i>Project costs in Merchant & Commercial Banking</i>	(15)	(11)	(3)	(2)
<i>Project costs in segment Other</i>	(140)	(105)	(82)	(61)
Total	(1,458)	(1,293)	285	213

The transaction results upon sale of the divested activities, i.e. the EC Remedy (sale completed on 1 April 2010) and Intertrust (sale completed on 29 December 2009), (together the 'divestments'), and the operating results of these divestments have been included until the moment of completion.

The underlying profit for the period of ABN AMRO Group improved by 57% to EUR 325 million. The underlying profit for the period rose due to a sharp increase in the profit of Retail & Private Banking, which was partly offset by a decline in the result of Commercial & Merchant Banking (due to start-up costs and several large additions to the legal provision) and a decline in Other results (due to higher funding costs, credit protection costs and the operating results of the divested activities of the EC Remedy and Intertrust).

Underlying operating income was 5% higher year-on-year, as a 12% increase in net interest income was partly offset by a 7% decrease in non-interest income.

Net interest income increased primarily in Retail & Private Banking due to further growth in the small-sized enterprises loan portfolio and in savings deposits. Margins on savings deposits started to recover as of the end of 2009 as low-margin fixed-rate deposits matured and were replaced by short-term variable-rate deposits which have a higher margin. Mortgage volumes were relatively stable, despite declining new mortgage production. Commercial & Merchant Banking benefited from growth of the loan portfolio. Other recorded a decline in net interest income mainly due to divestments and interest costs for EUR 2.6 billion Mandatory Convertible Securities (MCS) issued to the Dutch State over the first three months of 2010.

Underlying non-interest income was lower mainly due to divestments and fees paid for the credit protection bought from the Dutch State on a EUR 34.5 billion portfolio of own originated residential mortgages; both are recorded in Other. Retail & Private Banking and Commercial & Merchant Banking saw non-interest income rise as a result of higher net fees and commissions on the back of a recovery of capital markets and the acquisition of the US clearing activities.

Underlying operating expenses increased by 11% due to several large additions to the legal provision. These additions relate to international activities conducted in the past. Excluding these, underlying operating expenses would have remained almost unchanged.

The underlying cost/income ratio went up from 71% to 75% due to the abovementioned additions to the legal provision. Excluding these, costs remained almost unchanged and the underlying cost/income ratio would have improved to 68%.

Loan impairments decreased by 55%. This trend reflects the early improvements seen in the Dutch economy which translated into a lower number of corporate defaults in the Commercial Banking and the Large Corporates portfolios. In addition, there were no specific provisions in the Private Banking portfolio. Loan impairments were also lower due to divestments.

The underlying tax rate of 42% was high due to the non-tax deductibility of additions to the legal provision and funding costs of several tier 1 capital instruments.

The total number of full-time equivalents (FTEs) declined by 8%, or 2,471, to 27,870. This decline was due to outflow ahead of the integration (433), and the sale of the EC Remedy (1,154) and of Intertrust (884).

Underlying profit for the period per business

ABN AMRO operates through two client-focused businesses and a support segment being Retail & Private Banking (R&PB) and Commercial & Merchant Banking (C&MB) and segment Other (which includes Finance, Risk Management & Strategy, TOPS and ICC). Each business comprises several activities. The activities are conducted primarily in the Netherlands and selectively abroad.

Income statement of Retail & Private Banking

<i>(in millions euros)</i>	<i>First half year 2010</i>	<i>First half year 2009</i>	<i>% change</i>	<i>First half year 2010</i>	<i>First half year 2009</i>	<i>% change</i>
	<i>Reported</i>	<i>Reported</i>		<i>Underlying</i>	<i>Underlying</i>	
Net interest income	1,730	1,451	19%	1,730	1,451	19%
Non-interest income	649	581	12%	649	581	12%
Operating income	2,379	2,032	17%	2,379	2,032	17%
Operating expenses	(1,448)	(1,411)	3%	(1,426)	(1,418)	1%
Loan impairments	(141)	(270)	(48%)	(141)	(270)	(48%)
Profit / (loss) before taxation	790	351	125%	812	344	136%
Income tax expense	(210)	(97)	116%	(216)	(95)	127%
Profit / (loss) for the period	580	254	128%	596	249	139%
Assets Under Management	151,972	138,565	10%			
Cost/income ratio	61%	69%		60%	70%	
Risk Weighted Assets	41,893					
FTEs	12,281	13,003	(6%)			

The underlying profit for the period increased from EUR 249 million to EUR 596 million year-on-year as a result of a strong increase in revenues, almost flat costs and lower impairments.

Operating income advanced by 17% year-on-year as a result of an 19% increase in net interest income and a 12% rise in non-interest income.

Net interest income improved as a result of further growth in savings deposits. Margins on savings deposits started to recover from the low levels seen at the end of 2009 as low-margin fixed-rate deposits matured and were replaced by short-term variable-rate deposits which have a higher margin.

The loan portfolio showed good growth in small-sized enterprise clients as well as in the International Diamond & Jewelry Group activities. Mortgage volumes increased marginally, despite a more than 10% decline of Dutch mortgage production in the past 12 months. This decline is mainly due to the current economic environment. Mortgage margins improved.

The increase in non-interest income was due to higher net fees and commissions as a result of a recovery of capital markets compared with the same period last year. This is also reflected in higher Assets under Management of Private Banking, which increased by EUR 13.4 billion to EUR 152.0 billion.

Underlying operating expenses were almost flat. In the first six months of 2010, several additions to the legal provision for the Private Banking activities were made. Excluding these, operating expenses were lower. This is the result of a reduction in the number of FTEs, which came down by 722, or 6%, year-on-year and continued cost management.

The underlying cost/income ratio improved from 70% to 60%.

Loan impairments decreased by 48%. The number of defaults in the first half of 2010 was lower, reflecting the improvement of the Dutch economy. In addition, the first half of 2009 included specific provisions for loan impairments in the international Private Banking portfolio.

Income statement of Commercial & Merchant Banking

(in millions euros)	First half year 2010	First half year 2009	% change	First half year 2010	First half year 2009	% change
	Reported	Reported		Underlying	Underlying	
Net interest income	792	750	6%	792	750	6%
Non-interest income	537	494	9%	537	494	9%
Operating income	1,329	1,244	7%	1,329	1,244	7%
Operating expenses	(1,075)	(765)	41%	(1,060)	(763)	39%
Loan impairments	(231)	(415)	(44%)	(231)	(415)	(44%)
Profit / (loss) before taxation	23	64	(64%)	38	66	(42%)
Income tax expense	(32)	12	(367%)	(36)	11	(427%)
Profit / (loss) for the period	(9)	76	(112%)	2	77	(97%)
Assets Under Management	5	2	150%			
Cost/income ratio	81%	61%		80%	61%	
Risk Weighted Assets	52,375					
FTEs	6,025	6,048	0%			

The operating results and the transaction results upon sale of the EC Remedy activities and Intertrust have been included in the segment 'Other'.

The underlying profit for the period declined from EUR 77 million to EUR 2 million, due to several large additions to the legal provision. Excluding these, net profit would have more than doubled, due to good performances at Business Banking and LC&MB. This was partly offset by Markets, which is rebuilding its activities and international presence following the separation of ABN AMRO Bank and Fortis Bank Nederland from RBS N.V. and BNP Paribas Fortis (former Fortis Bank Belgium) respectively.

Operating income rose by 7% year-on-year as a result of a 6% increase in net interest income and a 9% increase in non-interest income.

Net interest income advanced due primarily to growth in revenues of the loan portfolio and client deposits. These increases were especially noticeable in Business Banking and LC&MB. The volume of savings deposits was slightly lower, but margins recovered as fixed-rate deposits matured and were replaced by short-term variable-rate, a trend similar to the development in Retail & Private Banking. Markets recorded lower net interest income as a result of volatile market conditions.

Non-interest income increased mainly as a result of higher net fees and commissions, as LC&MB saw higher Trade Finance volumes and higher marked-to-market valuations. Markets benefitted from the acquisition of the US clearing activities.

Underlying operating expenses increased by 39% mainly due to several large additions to the legal provision. Excluding these, operating expenses would have shown a marked increase, predominantly as a result of the acquisition of the clearing activities in the US and the start of new Markets activities in the United Kingdom, Germany, and Asia. The number of FTEs declined somewhat due to a transfer of staff to RBS, partly offset by the acquisition of the US clearing activities.

The underlying cost/income ratio increased from 61% to 80% due to the abovementioned additions to the legal provision. Excluding these, the underlying cost/income ratio would have increased modestly.

Loan impairments decreased by 44%. This was due to lower impairments for the Commercial and the Large Corporates portfolios as corporate defaults decreased both in numbers as well as in size.

Income statement of Other

<i>(in millions euros)</i>	<i>First half year 2010</i>	<i>First half year 2009</i>	<i>% change</i>	<i>First half year 2010</i>	<i>First half year 2009</i>	<i>% change</i>
	<i>Reported</i>	<i>Reported</i>		<i>Underlying</i>	<i>Underlying</i>	
Net interest income	(87)	(41)	112%	(87)	(41)	112%
Non-interest income	(783)	609	(229%)	30	247	(88%)
Operating income	(870)	568	(253%)	(57)	206	(128%)
Operating expenses	(868)	(373)	133%	(259)	(291)	(11%)
Loan impairments	24	(87)	(128%)	24	(87)	(128%)
Profit / (loss) before taxation	(1,714)	108		(292)	(172)	70%
Income tax expense	175	(18)		20	53	(62%)
Profit / (loss) for the period	(1,539)	90		(272)	(119)	129%
Risk Weighted Assets	25,884					
FTEs	9,564	11,290	(15%)			

The operating results and the transaction results upon sale of the EC Remedy activities and Intertrust have been included in the segment 'Other'.

The underlying profit for period declined by EUR 153 million to a loss of EUR 272 million.

Underlying operating income decreased by EUR 263 million to EUR 57 million negative.

Net interest income decreased by EUR 46 million due to divestments, higher funding costs and interest costs of the EUR 2.6 billion of Mandatory Convertible Securities (MCS) issued to the Dutch State over the first three months of 2010. The EUR 2.6 billion MCS converted into Equity on 1 April 2010. The decrease in net interest income was partly offset by a higher mismatch result.

Underlying non-interest income decreased by EUR 217 million to EUR 30 million. This was the result of the abovementioned divestments and the fees paid for the credit protection bought from the Dutch State on a EUR 34.5 billion portfolio of own originated residential mortgages in the second half of 2009. In addition, the first half of 2009 included a large gain on sale of part of the investment portfolio.

Underlying operating expenses came down by EUR 32 million to EUR 259 million because of divestments, but were partly offset by higher costs for setting up two stand-alone banks, such as for central functions and IT infrastructure. This is also partly reflected in an increase of the number of FTEs, which increased by 311, after adjusting for divestments and including inflow of staff into the redeployment centre.

Loan impairments decreased by EUR 111 million to a release of EUR 24 million primarily due to the divestment of the EC Remedy and Intertrust.

Consolidated statement of financial position

(in millions euros)

30 June 2010

31 December 2009

Cash and cash equivalents	22,485	4,368
Financial assets held for trading	22,072	20,342
Financial investments	19,521	20,763
Loans and receivables banks	43,890	46,485
Loans and receivables customers	279,259	279,306
Other	17,524	15,252
Total assets	404,751	386,516
Financial liabilities held for trading	27,384	26,951
Due to banks	46,732	43,095
Due to customers	211,679	205,040
Issued debt	79,422	70,837
Subordinated liabilities	9,102	11,747
Other	19,047	19,848
Total liabilities	393,366	377,518
Shareholders' equity	11,160	8,776
Non-controlling interests	225	222
Total equity	11,385	8,998
Total liabilities and equity	404,751	386,516

Total assets rose by EUR 18.2 billion to EUR 404.8 billion at 30 June 2010 despite the divestment of the EC Remedy. Adjusted for the EC Remedy, total assets increased by EUR 29.8 billion.

Cash and cash equivalents at central banks increased by EUR 18.1 billion. This is due mainly to the liquidity buffer.

Financial assets held for trading increased by EUR 1.7 billion as a result of the Markets activities of Commercial & Merchant Banking, partly offset by the divestment of the EC Remedy.

Financial investments decreased by EUR 1.2 billion due mainly to the sale of government bonds for asset and liability management purposes.

Loans and receivables banks declined by EUR 2.6 billion. This net decrease is due mainly to a settlement of EUR 16.4 billion with RBS N.V. following the legal separation, an increase of EUR 7.7 billion in Commercial & Merchant Banking activities, an increase of EUR 2.1 billion in mandatory reserve deposits with central banks and an increase of EUR 4.4 billion in interest bearing deposits.

Loans and receivables customers remained unchanged. Adjusted for the divestment of the EC Remedy activities, Loans and receivables customers grew by EUR 10.5 billion, mainly as a result of an increase in the commercial loan portfolio. The majority of Loans and Receivables customers are Dutch residential mortgages, amounting to EUR 161.4 billion at the end of June 2010.

Other increased by EUR 2.3 billion, due predominantly to an increase in derivatives used for hedging purposes.

Total liabilities increased by EUR 15.8 billion. Adjusted for the EC Remedy, total liabilities increased by EUR 26.6 billion.

Financial liabilities held for trading increased by EUR 0.4 billion.

Due to banks rose by EUR 3.6 billion. Excluding the EC Remedy, Due to banks increased by EUR 5.3 billion mainly as a result of an increase in total deposits of EUR 10.0 billion, offset by a decrease in repurchase agreements and security lending transactions of EUR 5.4 billion.

Due to customers increased by EUR 6.6 billion. Excluding the EC Remedy, Due to customers increased by EUR 14.8 billion mainly due to an increase in total deposits of EUR 6.7 billion and repurchase agreements of EUR 8.0 billion.

Issued debt shows a net increase of EUR 8.6 billion. This increase relates to financing initiatives in short and long-term maturities and prudent liquidity management.

Subordinated liabilities decreased by EUR 2.6 billion, as a result of the conversions of EUR 2.6 billion of MCS issued to the Dutch State into Equity. These conversions were part of the capital actions of the Dutch State announced in November 2009.

Other decreased by EUR 0.8 billion.

Equity increased by EUR 2.4 billion to EUR 11.4 billion. This was primarily the result of the conversion of EUR 2.6 billion of MCS into Equity, the remaining capital injection by the Dutch State (part of the 2009 capital actions by the Dutch State) and the interim result over the first half of 2010 of EUR 1.0 billion negative.

Update on government and government-guaranteed debt exposures

On previous occasions, ABN AMRO Group provided an overview of its largest exposures to European governments and government-related entities. These exposures included 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. Please find below an overview of the major government and government-guaranteed debt exposures as per 30 June 2010.

(in billions euros)

30 June 2010

	Government & Government related	Government guaranteed	Total
The Netherlands*	31.4	1.4	32.8
France	2.5		2.5
Germany	1.6		1.6
Italy	1.2	0.3	1.5
Greece		1.4	1.4
Belgium	0.7	0.1	0.8
Austria	0.2	0.3	0.5
Ireland	0.4		0.4
Spain	0.3		0.3
Poland	0.3		0.3
Portugal	0.2		0.2
Total	38.8	3.5	42.3

* The figures for the Netherlands exclude loans which are Dutch State guaranteed and include deposits with the Dutch Central Bank

Capital and solvency

Former Fortis Bank Nederland reported its regulatory capital under Basel II Advanced-IRB. Until legal separation on 1 April 2010, the former ABN AMRO Bank reported its regulatory capital under Basel I. As of 1 April 2010, ABN AMRO Bank also reports under Basel II Advanced-IRB. Consolidated capital ratios are not available for the combined bank for the period before 1 April 2010.

The capital requirements of the two banks were reported to the Dutch Central Bank on a separate basis at the end of June 2010. The application of Basel II policies, methodologies and models in order to calculate the regulatory capital and risk-weighted assets for the merged bank is currently in the process of harmonisation. Until completion of the harmonisation, the reported Basel II capital ratios will be combined pro forma capital ratios based on consolidated IFRS equity.

On 30 June 2010, the combined pro forma Tier 1 capital under Basel II amounted to EUR 14.8 billion and the combined pro forma total capital amounted to EUR 20.4 billion. Combined pro forma risk-weighted assets under Basel II were EUR 120.1 billion, leading to a combined pro forma combined Tier 1 ratio of 12.3% and a pro forma combined total capital ratio of 17.0%.

Funding & liquidity

In the first half of 2010, a significant liquidity buffer was in place for prudence reasons. Over the same period the bank's long-term funding improved by the issuance of more than EUR 14 billion of long-term funding in a variety of instruments.

EC state aid investigation

On 8 April 2009, the European Commission (EC) notified the Dutch State to initiate a procedure concerning potential state aid in connection with (i) the acquisition of Fortis Bank Nederland by the Dutch State on 3 October 2008 and (ii) the transfer of the 33.8% stake in RFS Holdings by Fortis Bank Nederland to the Dutch State on 24 December 2008.

On 8 February 2010, the EC preliminarily approved the recapitalisations executed by the Dutch State until 31 July 2010. The EC also incorporated this capital rebalancing in the inquiry into state support measures it started in April 2009. Until this inquiry is completed, the EC ensures to prevent to use the measures for an aggressive pricing in retail deposits and retail mortgages or takeover policy.

On 30 July 2010, the EC announced it 'prolonged the temporary authorisation of the state support. The temporary approval is prolonged until the Commission will have completed its investigations and adopted a final decision on the compatibility of the notified and non-notified measures in favour of these companies with EU state aid rules'.

Managing Board and Supervisory Board

Simultaneously with the transfer of ABN AMRO Bank and Fortis Bank Nederland to ABN AMRO Group on 1 April 2010, the composition of the Managing Board and Supervisory Board changed.

As of 1 April 2010, the Managing Board consists of the following members: Gerrit Zalm (Chairman), Jan van Rutte (Chief Financial Officer), Johan van Hall (Chief Operating Officer Technology, Operations, Property and Services), Caroline Princen (Integration, Communication & Compliance), Wietze Reehoorn (Chief Risk Officer and Strategy), Chris Vogelzang (Retail & Private Banking) and Joop Wijn (Commercial & Merchant Banking).

As of 1 April 2010, the Supervisory Board consists of the following members: Hessel Lindenbergh (chairman), Hans de Haan, Steven ten Have, Bert Meerstadt, Marjan Oudeman, Annemieke Roobeek and Peter Wakkie.

Update since 1 July 2010

Legal merger

On 1 July 2010, ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. legally merged and started operating as a single bank under the name ABN AMRO Bank N.V. ABN AMRO Group N.V., the parent company and group company of ABN AMRO Bank N.V., assigned non-cumulative preference shares in its share capital to ABN AMRO Preferred Investments B.V. ABN AMRO Preferred Investments B.V. (previously called Fortis FBN(H) Preferred Investments B.V.) was the holder of the non-cumulative preference shares A in the share capital of Fortis Bank (Nederland) N.V. Fortis Bank Nederland ceased to exist on the merger date. This also meant that all branches and subsidiaries of Fortis Bank Nederland became branches and subsidiaries of ABN AMRO Bank.

European stress test

ABN AMRO Bank announced on 23 July that it had successfully passed the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS). The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS. As a result of the assumed shock under the adverse scenario, the estimated stressed Tier 1 capital ratio of 10.3% in 2011 comfortably exceeded the minimum Tier 1 capital ratio of 6% set by the CEBS. An additional sovereign risk scenario would have had a further impact of 40 basis points on the estimated Tier 1 capital ratio, bringing it to 9.9% at the end of 2011, well above the minimum required Tier 1 capital ratio of 6% set by the CEBS under the scenario developed for the purpose of this EU-wide exercise.

EC decision on call option to early redeem a subordinated note (FCC)

On 16 August 2010, it was announced that the European Commission had as a matter of exception approved the call of the FCC Securities. Due to the existence of a dividend pusher clause in the documentation of the FCC Securities linked to dividend payments made by Ageas N.V. and Ageas SA/NV, entities outside the control of ABN AMRO Bank, the Dutch Central Bank (De Nederlandsche Bank, 'DNB') had taken the view that from a regulatory perspective the FCC Securities should be reclassified from Tier 1 capital to Tier 2 capital as of 1 July 2010. In order to prevent the Capital Securities from being reclassified to Tier 2, ABN AMRO Bank decided to call for redemption of all outstanding FCC Securities on the next dividend payment date of 29 September 2010.

As ABN AMRO Bank is a bank subject to state aid investigation, ABN AMRO Bank and its subsidiaries are required to consult the European Commission in order to redeem capital instruments prior to legal maturity or to pay coupons. The European Commission had as a matter of exception determined that the request for early redemption of the FCC Securities could be reconciled with state aid rules, as it prevents the loss of Tier 1 capital.

The European Commission also stated that Hybrid Tier 1 and Tier 2 instruments issued by ABN AMRO Group and its wholly owned subsidiaries are subject to a ban on payments of coupons unless there is a legal obligation to make such payments, as well as a call restriction, similar to other financial institutions involved in state aid proceedings. This ban is for a limited period up to and including 13 March 2013.

5 Risk management

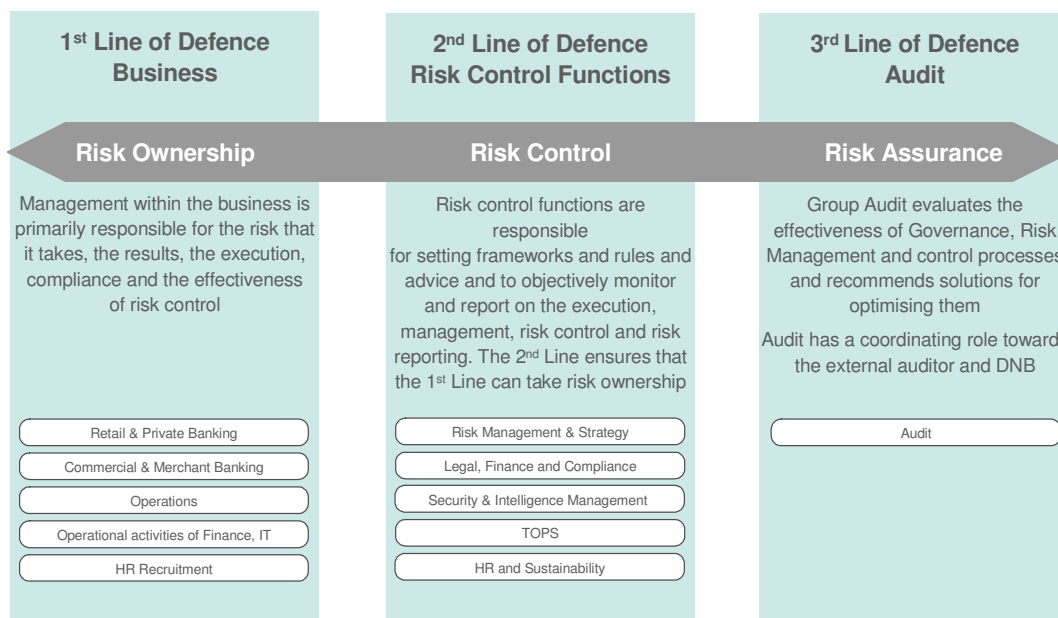
Risk governance

Risk Governance is supported by a comprehensive risk committee structure to ensure risk decisions are taken at the appropriate level. The Risk Committee structure is characterised by a clear hierarchy with three executive risk committees supporting the Managing Board. To help it fulfill its risk mission, the Supervisory Board is supported by the Risk & Capital Committee and the Audit Committee.

Risk philosophy

ABN AMRO Bank adheres to the “three lines of defence” risk philosophy, guiding principles and governance. The goal is to make sure that everyone in the bank correctly weighs risks when taking decisions.

The illustration below shows how the “three lines of defence” model is designed to ensure a moderate risk profile.



Under the ‘three lines of defence’ model, ABN AMRO Bank takes concrete measures to make sure that the employees:

- are aware of the risks related to his/her activities;
- are equipped with the information and knowledge to weigh these risks when taking action and to come up with the right risk-return assessment;
- are motivated to make the right risk-return assessment, even though this might harm his/her sales target.

Risk profile

- ABN AMRO Bank will maintain a moderate risk profile and will pursue an integrated risk management approach, whereby the Managing Board, risk managers, senior management and the business will have a deep understanding of underlying risks and act accordingly.
- The development of new business propositions and products is paired with the development of risk management capabilities.

- ABN AMRO Bank will at all times offer financial stability, with a strong and continuous focus on monitoring its liquidity and capital positions; ABN AMRO Bank will comply with Basel II capital ratios and the Dutch central bank's stress tests.
- ABN AMRO Bank's risk appetite is closely aligned with the overall strategy of ABN AMRO Bank and provides a common understating of what risks need to be managed. The bank risk appetite is cascaded down in the organisation by the creation of business-specific risk appetites.

Main risks facing ABN AMRO Bank

The principal risks ABN AMRO Bank faces and a description as to how ABN AMRO Bank manages these risks are provided below.

Credit and country risk

Credit and country risk is the risk of a loss because a counterparty or an issuer may fail to fulfill its obligations to the bank. This covers actual payment defaults as well as losses in value resulting from a decrease in the credit quality of the counterparty or issuer. ABN AMRO Bank is subject to credit risk through its lending, trading, hedging and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or where it issues guarantees.

ABN AMRO Bank's senior management is responsible for establishing the credit policies and the mechanisms, organisation and procedures required to analyse, manage and control credit risk. In this respect, counterparty limits are set and an internal system of credit ratings is applied.

The so-called retail portfolios (consumer lending, residential mortgages and small business loans) are managed on a portfolio basis. Based on credit risk models, an application score is calculated. When necessary, manual decision-making takes place. Clients' accounts are monitored in order to evaluate the clients' performance. If a client's performance deteriorates, an extensive early collection process is started up. If this process is unsuccessful, the client is transferred to the financial restructuring and recovery department.

A case-by-case decision-making process is in place for the bank's other clients, including clients of Commercial Banking, Corporate Clients, Large Corporates & Merchant Banking (including Energy, Commodity & Transportation) and Private Banking. Based on our experience, we have developed a credit risk model which is used to create a so-called credit rating. Based on this and other information, a decision is taken and the risk score is set. Afterwards a mandatory yearly review is carried out. In addition, accounts are monitored on a daily basis. If there are indications that the performance might be at risk (e.g. an overdraft), measures are taken to address these issues. The risk that counterparties might default on their obligations and collateral value is monitored on an ongoing basis. On (sub) portfolio level, developments and concentrations are actively monitored and action is taken where appropriate.

Based on expert panel discussions and back testing of the various models and methodologies used, updates are carried out on a regular basis, as are portfolio analysis.

Market risk

Market risk is the risk that movements in financial market prices will decrease the value of the bank's trading portfolios. ABN AMRO Bank is exposed to limited market risk through client-facilitating activities carried out by the Markets business.

For internal purposes, market risk is managed daily on a portfolio basis. The key indicators used are Value at Risk ('VaR') limits and stress tests. In addition, other indicators are used that are characteristic for the specific portfolio or risk factor. Counterparty risk is managed within the overall credit risk limits and measures for each specific counterparty.

The Managing Board sets limits on the maximum level of market risk at an aggregate level for ABN AMRO Bank in the risk appetite. For each trading desk and for the combined trading activities the mandates and sets of limits are approved in dedicated risk committees. Whenever trades need to be executed outside the mandate or the limits, or outside the approved limits for a counterparty, approval can be requested from authorised risk managers. The limits and any temporary approvals are monitored rigorously in the risk committees.

In addition to the use of internal models, market risk is also monitored on Basel II standardised measures. These measures revolve around notional exposures in different time buckets and regulatory stress test scenarios. These standardised measures are used for regulatory capital calculations.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and/or systems, due to human behavior or from external events. Among other things, this includes the risk of (financial or reputational) damage as a result of IT system outages, fraud, human error, shortcomings in products or processes, and external threats such as natural disasters and willful damage (vandalism or terrorism, for example). The guiding principle in operational risk management is that management at all levels in the organisation is responsible for directing and managing operational risks. Operational risk managers are assigned throughout ABN AMRO Bank to assist line management in fulfilling this responsibility.

Funding liquidity risk

Funding liquidity risk is the risk arising from the bank's potential inability to meet both expected and unexpected current and future flows and collateral needs without affecting either daily operations or the financial condition of the firm. Conversely, liquidity risk also manifests itself in the form of opportunity losses due to holding excess liquidity relative to liabilities. A detailed description of how ABN AMRO Bank manages funding liquidity risk is provided in section 6 - Liquidity & funding.

Interest rate risk

Interest rate risk is the risk that ABN AMRO Bank's interest income changes due to a movement in interest rates, and that the change in value of ABN AMRO Bank's financial assets in the banking book representing financial assets other than those categorised as trading assets does not match the change in value of ABN AMRO Bank's liabilities due to a change in interest rates. A detailed description of how ABN AMRO Bank manages interest rate risk is provided in section 8 - Interest rate risk.

In addition to these main risk types, ABN AMRO Bank is exposed to various other risks, including reputation risk, business risk, concentration risk and legal risk, which are managed as an integral part of the bank's day-to-day operations.

6 Liquidity & funding

Liquidity

Four main liquidity metrics are used to adequately measure liquidity risk: the DNB stress test, the survival period, the stable funding to non-liquid assets and the loan-to-deposit ratio. These ratios are linked to the overall risk appetite of the bank. For sound liquidity management, the ratios need to be considered in combination with the funding diversification and maturity profile.

DNB Stress Test

The DNB stress test is a minimal regulatory requirement with which the bank must comply. The DNB stress test measures the liquidity position after a severe and short stress scenario defined by DNB. DNB requires the liquidity level (1-month bucket) to be above the minimum required regulatory level of EUR 0 at all times. Thanks to the bank's prudent approach, the DNB minimum stress buffer is comfortably met. The outcome of the DNB stress test was 25% higher on 30 June 2010 than it was on 31 December 2009.

Survival period

The survival period 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 improved its survival period by adjusting the funding mix and the maturity profile of that funding. The bank is currently clearly complying with the internally set appetite risk levels.

Stable funding to non-liquid assets

ABN AMRO Bank uses an internally developed stable funding to non-liquid assets ratio in its liquidity management. This ratio shows the extent to which core assets (non-liquid assets) are covered by core liabilities (stable funding). Non-liquid assets are assets that require continuous funding and where - from a commercial perspective - ABN AMRO Bank is not in a position to discontinue funding. Stable funding is funding which is assumed to remain available in a crisis. On 30 June 2010, the ratio was 105% compared to 102% on 31 December 2009.

Loan-to-deposit ratio (LtD)

The LtD ratio measures the relationship between due from customers and due to customers. The definition scope includes client-driven business from all lines of business. The loans category includes all residential mortgages (the volume of the loan portfolio is not reduced because mortgages are securitised and externally sold). It does not include governmental and financial institutions, securities lending and repo transactions, and fair value adjustment due to hedge accounting. On 30 June 2010, the LtD ratio was 130% and remained unchanged compared with 31 December 2009.

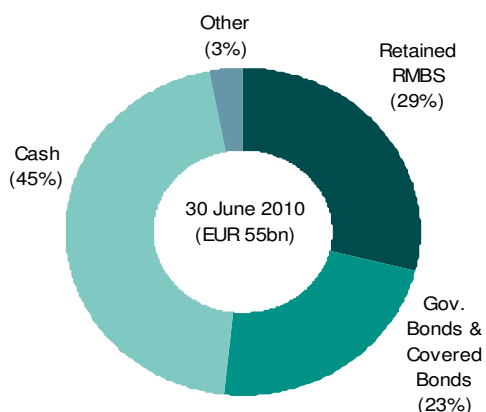
Liquidity contingency plan

Liquidity is managed on a daily basis and, where required, on an intraday basis. Liquidity management depends on the effective functioning of financial markets, among other things. As this is not always the case, a liquidity contingency plan is in place. This plan is put into effect in the event of a change in the bank's normal business activities or in the stability of the local or international financial markets, so that the bank can continue to manage its liquidity position effectively.

Liquidity buffer

ABN AMRO Bank retains sufficient collateral for various activities, such as daily payment capacity and - in the event of an emergency - ECB tenders (as a safety cushion in the event of severe liquidity stress). Periodical stress tests are performed to assess the necessary buffer in multiple stress events. The liquidity buffer portfolio consists mainly of retained RMBS, government bonds and cash; the composition on 30 June 2010, based on liquidity values, is shown in the graph below.

Graph: Composition of the liquidity buffer per 30 June 2010



Funding

Objectives, measurement and control

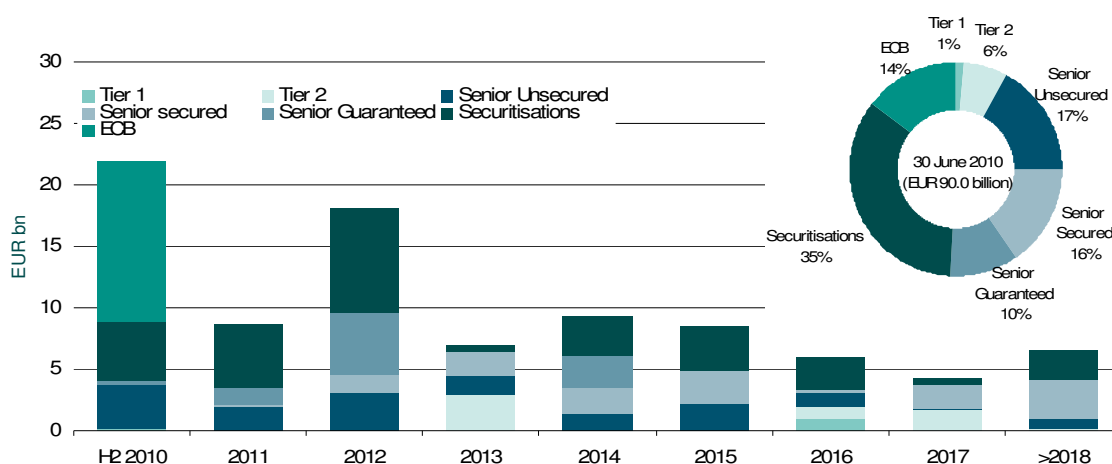
The main objective for the coming period is to improve the funding profile by extending the maturity profile and improving the funding mix. In the first half of 2010, the legal predecessors of ABN AMRO Bank continued to improve their liquidity profile by attracting long-term funding. The funding profile is still skewed towards short-term maturities, but is improving compared with year-end 2009.

Liquidity Management closely cooperates with Group Treasury, also part of ALM/Treasury, which executes funding programmes. All market access is centralised in ALM/Treasury.

Current and target funding mix

- Management is focused on increasing the funding maturities and diversifying the funding profile and is working towards an appropriately balanced profile in the medium term.
- The bank benefits from sticky retail funding and reasonably diversified wholesale funding sources.
- The funding profile is skewed towards shorter maturities. At this point, implementation of the issuance strategy is on track and the bank has demonstrated that it can access all funding sources.
- Despite challenging markets, investor appetite and issue performance has been strong.

Graph: maturity calendar and total outstanding of long-term funding per 30 June 2010



Note to the long-term maturity graph:

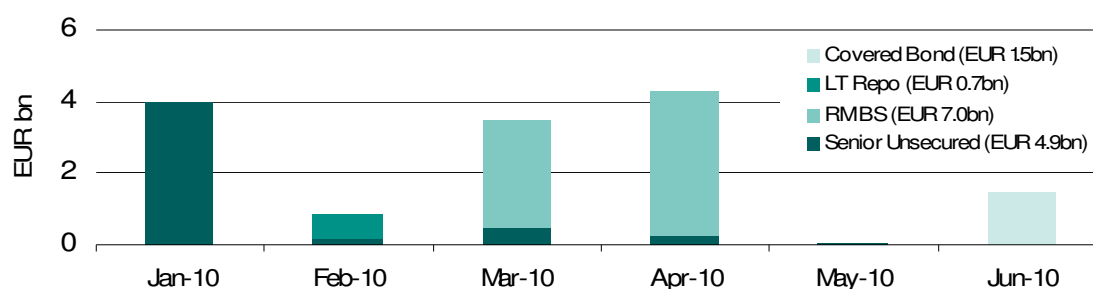
This maturity graph assumes the redemption of instruments on the early call date (if applicable) or otherwise on the legal maturity date. The early redemption of capital instruments (Tier 1 and Tier 2) is subject to the approval of regulators such as DNB and the European Commission. Due to the temporary call and coupon restrictions on Hybrid instruments sanctioned by the European Commission, those instruments with call dates up to and including 13 March 2013 will be postponed to the next possible call date following 13 March 2013. The bar chart shows the maturity of EUR 90 billion long debt by type of instrument per calendar year. The chart shows the breakdown of EUR 90 billion of funding instruments per type of instrument outstanding relative to each other.

Activities in 2010

A number of long-term financing initiatives were undertaken in the first half of 2010 to refinance different types of maturing debt:

- EUR 4.9 billion of senior unsecured wholesale funding was raised with maturities between 0.5 and 7 years;
- EUR 7 billion RMBS was sold externally with maturities between 4 and 6 years;
- EUR 1.5 billion of Covered Bonds were issued with a 10 year maturity;
- Funding programmes were newly developed (US CP) or updated to grant market access in the remainder of 2010;
- Unguaranteed commercial paper (CP) and certificates de dépôt (CD) show maturity improvements compared with year-end 2009 and guaranteed CP paper was gradually replaced by unguaranteed CP & CD paper;
- EUR 0.7 billion of long-term repo with a maturity of 2 years.

Graph: long-term funding raised in the first half of 2010



Available programmes for ABN AMRO Bank for new issuances

European Medium Term Notes

This programme allows for the issuance of capital securities and medium-term notes. Following the legal merger, a new EMTN program will allow the bank to issue long-term unsecured funding. At 31 December 2009, the amount outstanding in the former EMTN programme of Fortis Bank Nederland was EUR 165 million with a maturity of 1 year. At 30 June 2010, EUR 4.9 billion in total was raised through this programme, with an average original maturity of 3.2 years.

Covered Bond programme

The bank has a Covered Bond programme available to attract secured long-term funding. On 30 June 2010, the total amount outstanding was EUR 13.9 billion, with an average original maturity of 8.9 years. At 31 December 2009, the total outstanding was EUR 12.4 billion, with an average original maturity of 8.8 years.

Euro Commercial Paper

This EUR 25 billion funding programme for the issuance of Euro-Commercial Paper (ECP) allows for unsecured issuances either guaranteed or not-guaranteed by the Dutch State with maturities up to one year. On 30 June 2010, the total amount outstanding was EUR 9.6 billion of which EUR 2.7 billion was state guaranteed CP which issued with a maturity of 364 days. The unguaranteed CP amounted to

EUR 6.9 billion with an average maturity of 4.1 months. At 31 December 2009, the total outstanding of guaranteed CP was EUR 6.3 billion, with an average original maturity of 10.8 months. For unguaranteed CP the total amount outstanding at 31 December 2009 was EUR 5.0 billion with an average original maturity of 3.2 months.

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. On 30 June 2010, the total amount outstanding under this programme was EUR 4.4 billion. The average maturity of the certificates issued is 4.7 months. At 31 December 2009, the total outstanding was EUR 4.4 billion, with an average original maturity of 4.6 months.

US Commercial Paper

This EUR 5 billion funding programme allows ABN AMRO Bank to attract USD for local investors in the USA. It permits unsecured issuances with maturities up to one year. The issuance started in July 2010.

Private Investor Programs (PIP launch pad)

The PIP programmes allow ABN AMRO Bank to raise unsecured funding through a private investor base. The programme is currently being updated to enable the bank to attract long-term funding and diversify the funding base.

State Guaranteed Notes

The EUR 40 billion funding programme allows ABN AMRO Bank to issue notes under the EUR 200 billion Credit Guarantee Scheme of the Dutch State. In 2009, several publicly and privately held notes were issued to a total amount of EUR 9.3 billion. On 30 June 2010 the total amount issued was EUR 9.3 billion. The average maturity of the issued paper is 3.1 years. This is equal to the situation at 31 December 2009.

7 Capital

IFRS equity is reported based on harmonised accounting principles. Risk-weighted-assets (RWA) and capital figures, except for IFRS equity, are based on the aggregation of the RWA and capital components of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. The determination of the RWA and capital components is in process of harmonisation.

(in millions euros)

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

30 June 2010

	Note	
Total equity (IFRS)		11,385
(Non-) innovative hybrid capital instruments	1	3,085
Participations in financial institutions		(265)
Other regulatory adjustments		599
Tier 1 capital		14,804
Subordinated liabilities Tier 2 (UT2)		915
Subordinated liabilities Tier 2 (LT2)		5,155
Participations in financial institutions		(265)
Other regulatory adjustments		(171)
Subtotal regulatory capital		20,438
Credit risk (RWA)	2	100,716
Operational risk (RWA)	3	14,987
Market risk (RWA)	4	4,449
Total Basel II Risk weighted assets		120,152
Capital ratios		
Tier 1 ratio		12.3%
Total capital ratio		17.0%

Explanatory notes to the table:

1. Explanatory information about the innovative and non-innovative capital instruments is provided below.
2. Credit risk RWA is based on the Basel II Advanced IRB and a part of the portfolio is reported on (a) the Standardised Approach and (b) on the Foundation Approach as part of the Basel II roll-out programme. The downturn characteristics of some credit risk models are being reviewed and in anticipation of model adjustments the Credit Risk RWA include additional RWA.
3. Operational Risk RWA includes additional RWA for separation and integration risks and is calculated on the Basel II Advanced Measurement Approach (AMA) and on the Basel II Standardised Approach.
4. Both the Basel II Standardised Approach and the internal model method are currently used for Market Risk RWA.

Share capital

On 1 July 2010 the legal merger deed between ABN AMRO Group N.V., ABN AMRO Bank N.V. (the acquiring company) and Fortis Bank (Nederland) N.V. (the disappearing company) became effective. As of the effective date, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 4.0 billion, divided into 3,750 million ordinary shares of EUR 1 each, 240 million non-cumulative A preference shares of EUR 1 each, 100 million ordinary shares B of EUR 0.01 each and 900 million of preference shares B of EUR 0.01 each.

The issued and outstanding share capital as of the effective date of the merger was EUR 1,015 million divided into 940 million ordinary shares of EUR 1 each and 75 million non-cumulative A preference shares of EUR 1 each. The Dutch State holds all issued ordinary shares and ABN AMRO Preferred Investments B.V. holds all non-cumulative A preference shares. The Dutch State controlled this entity with 70% of the votes via shares with priority rights.

Regulatory capital

The regulatory Tier 1 capital under Basel II amounted to EUR 14,804 million and the total capital amounted to EUR 20,438 million. Compared to the risk-weighted assets, this leads to a Tier 1 ratio of 12.3% and a total ratio of 17.0%. These capital ratios are well above the regulatory minimum requirements.

Capital instruments

Mandatory Convertible Securities (MCS)

The Mandatory Convertible Securities have a nominal amount of EUR 2 billion and pay a semi-annual coupon, in arrears, at an annual rate of 8.75%. The MCS are reported in the balance sheet under subordinated liabilities and qualify for regulatory purposes as non-innovative Tier 1 capital.

The MCS constitute unsecured and subordinated obligations of ABN AMRO Bank N.V., BNP Paribas Fortis (former Fortis Bank SA/NV) and Ageas SA/NV and Ageas N.V. (previously named Fortis SA/NV and Fortis N.V., respectively). As set out in the prospectus, the obligations of the issuers of the MCS are joint and several. The MCS are subordinated to all other loans, subordinated loans and preference shares, but rank senior to ordinary shares.

All outstanding MCS will be mandatorily converted on 7 December 2010 into a number of Ageas shares to be determined in accordance with the prospectus.

The couponpayment was made on 7 June 2010.

The MCS are listed and traded on Euronext Amsterdam by NYSE Euronext.

Perpetual Bermudan Callable Securities

EUR 1 billion of 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 Holdings B.V. on 1 April 2010.

The Capital Securities are listed and traded on Euronext Amsterdam by NYSE Euronext.

Fortis Capital Company Ltd.

Fortis Capital Company Ltd. (legal renaming to ABN AMRO Capital Finance Ltd. to be effectuated shortly) issued class A1 preference shares in 1999. Fortis Capital Company Ltd. (FCC) was a wholly-owned subsidiary of Fortis Bank Nederland (and as of the legal merger of ABN AMRO Group). On the reporting date, and following the cash settlement of 29 June 2009, a number of 87,489 of remaining class A1 preference shares are outstanding with a total nominal value of EUR 87,489,000. This amount is reported in the balance sheet under subordinated loans.

Ageas initiated court proceedings against FCC, ABN AMRO Bank N.V. and the Dutch State claiming EUR 362.5 million compensation, which Ageas was liable for on the cash settlement date of 29 June 2009. These proceedings are pending. In an initial summary hearing of 25 June 2009 the court ruled and denied all claims of Ageas. FCC and ABN AMRO Bank N.V. continue to have the opinion that Ageas is not entitled to any compensation.

On the reporting date the class A1 preference shares qualify as non-innovative Tier 1 capital. As of 1 July 2010, the class A1 preference shares will be reclassified to upper Tier 2 capital.

On 16 August 2010 an announcement was made to call for redemption of all remaining outstanding class A 1 preference shares on the dividend payment date of 29 September 2010. The required approvals for the redemption have been obtained.

The last coupon payment was made on 29 June 2010.

The class A1 preference shares are listed and traded on Euronext Amsterdam by NYSE Euronext.

ABN AMRO Preferred Investments

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

The Dutch State 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 this entity.

Execution of the Dutch State capital measures

The final steps of the recapitalisation by the Dutch State, announced in November 2009, have been completed following the legal demerger and transfer of ABN AMRO Bank (pre merger) and Fortis Bank Nederland to ABN AMRO Group N.V.

The three tranches of Mandatory Convertible Securities (combined nominal value of EUR 2.6 billion) have been converted into common equity. The conversion did not change the total level of Tier 1 capital, only the composition thereof.

Furthermore, ABN AMRO Group N.V. received the final tranche of capital contribution from the Dutch State in cash in the amount of EUR 490 million as a non-stipulated share premium contribution. This final capital contribution completed the capitalisation, as laid down in the letter to parliament of 19 November 2009.

European Commission

EC Remedy

The closing of the EC Remedy took place on 1 April 2010. The impact on RWA has been included and consists mainly of (i) a decrease in RWA of EUR 6.3 billion in April 2010 for the assets sold and (ii) an addition of EUR 952 million of RWA (end of June 2010) for the EC Remedy Credit Umbrella.

EC denies call-option on subordinated debt

On 14 May 2010, Fortis Bank Nederland announced that the European Commission (EC) denied Fortis Bank Nederland early redemption of its EUR 500 million of lower Tier 2 subordinated floating rate notes due in 2015 (ISIN X0221514879) with call date 22 June 2010, as the request for early redemption could not be reconciled with state aid rules. The notes are likely to mature in June 2015.

Basel II reporting

Former Fortis Bank Nederland reported its regulatory capital under Basel II Advanced-IRB, using the Advanced Internal Rating Based Approach (AIRBA) for credit risk, the Advanced Measurement Approach (AMA) for operational risk for the majority of its portfolio and the Value at Risk (VaR) for market risk.

Until the separation on 1 April 2010, the former ABN AMRO Bank (prior to the legal merger) reported its regulatory capital under Basel I. As of 1 April 2010, ABN AMRO Bank also reports under Basel II Advanced-IRB, using the AIRBA for credit risk, the Standardised Approach for operational risk and the Standardised Approach for market risk.

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

At the end of June 2010, both banks reported their capital requirements to the Dutch central bank on a separate basis. The application of Basel II policies, methodologies and models in order to calculate the regulatory capital and risk-weighted assets for the merged bank is in process of harmonisation. Until the harmonisation is completed, the reported Basel II capital ratios will be combined pro forma capital ratios based on consolidated IFRS equity.

As of the legal merger, ABN AMRO pursues the roll-out of the advanced Basel II approach for credit, operational and market risk. To achieve full advanced Basel II compliancy, a roll-out plan has been formulated to (i) migrate several credit risk portfolios currently reporting from standardised to IRB, to migrate to Internal Model Method for market risk and to AMA for operational risk and (ii) harmonise models.

Regulatory developments

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. Due to changes in the market, the EC revised the Capital Requirements Directives (CRD II) in several respects. These changes will come into effect with the introduction of CRD II on 1 January 2011 and later in time in the CRD III which is still under negotiation.

Basel III

In December 2009, the Basel Committee proposed reforms to the Basel framework for capital and funding standards (Basel III). Recently the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, agreed on the overall design and framework of Basel III and made several amendments. Agreement on remaining outstanding topics within Basel III is due to be finalised by the end of 2010. Once completed, the implementation of Basel III is expected to be phased in as of the end of 2012 over a multi-year period (at least five years). ABN AMRO carefully studies the developments in order to be able to prepare for and determine the impact of the implementation of the new Basel III guidelines.

CEBS Stress Test

On 23 July 2010 ABN AMRO stated that (i) it participated in the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank (ECB) and the Dutch central bank (DNB), (ii) the estimated stressed Tier 1 capital ratio of 10.3% in 2011 comfortably exceeded the minimum Tier 1 capital ratio of 6% and (iii) under the additional sovereign risk scenario the estimated Tier 1 capital ratio would have been 9.9% at the end of 2011.

8 Interest rate risk

Interest rate risk is the risk that the bank's interest income changes due to a movement in interest rates. Interest rate risk arises primarily from the fact that the repricing period of assets typically exceeds the repricing period of liabilities (the 'interest maturity mismatch'). Changes in interest rates also changes the net interest income to the extent that short-term liabilities are not matched by short-term assets.

Net interest income

ABN AMRO Bank has a methodology to assess the development of net interest income (NII) under different scenarios of yield curve development. The risk of changes in the NII is measured on a scenario-based analysis. The NII-at-Risk metric indicates the change in net interest income based under several predefined scenarios in interest rate development. The NII-at-Risk is compared to the total amount of net interest income and limited to less than 20% at a 2% yield curve shift. The net interest income of ABN AMRO Bank is negatively impacted in case of a rate rise scenario.

Duration

The duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change of the yield curve. The moderate interest risk profile that ABN AMRO Bank targets, results in a limit of the duration of equity between 0 and 7 years. The duration decreased at the end of June 2010 to 4.0 years from 4.5 years at year end 2009, which was in line with the lower absolute interest rate levels.

Value at risk

Value at Risk (VaR) is a methodology for assessing interest risk exposure in a single number. VaR is a statistical measure that estimates potential losses and is defined as the predicted maximum loss that could 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. In the first half of 2010 VaR increased to EUR 644 million from EUR 548 million at year-end, due to the demerger of HBU as part of the EC remedy.

Integration

The above-mentioned methodology and numbers are calculated for all ABN AMRO Bank positions. ABN AMRO Bank still uses two different calculation engines. In these calculations the assumptions have been harmonised. Methods and systems will be further integrated in the coming period.

9 Separation & integration

Separation

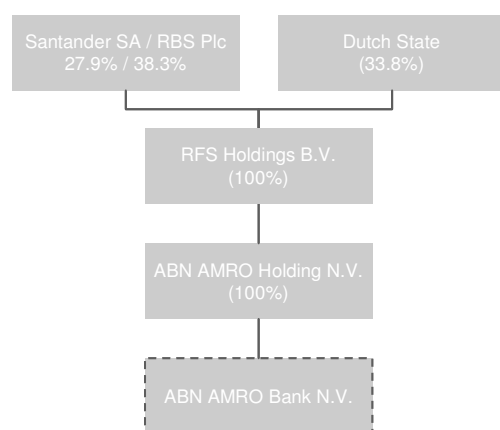
ABN AMRO Bank: legal demerger, legal separation and transfer

On 1 January 2010, the businesses of ABN AMRO acquired by the Dutch State were legally part of ABN AMRO Bank N.V. which was consolidated by RBS Plc via ABN AMRO Holding N.V.

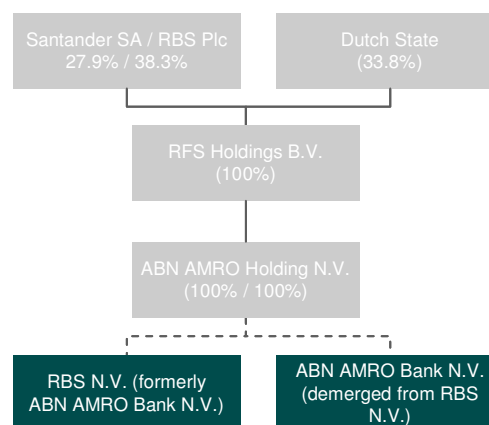
On 6 February 2010, the businesses acquired by the Dutch State legally demerged from the former ABN AMRO Bank N.V. into ABN AMRO II N.V. On the same date, ABN AMRO Bank N.V. was renamed to RBS N.V. and ABN AMRO II N.V. was renamed to ABN AMRO Bank N.V. Some subsidiaries and assets and liabilities acquired by the Dutch State were separately transferred to ABN AMRO Bank (new) ahead of the execution of the legal demerger. Furthermore, some assets and liabilities were separately transferred to ABN AMRO Bank (new) after the execution of the legal demerger. RBS N.V. and ABN AMRO Bank N.V. remained wholly owned by ABN AMRO Holding N.V. until 1 April 2010 when ABN AMRO Bank was legally transferred from ABN AMRO Holding to ABN AMRO Group N.V.

Until the legal separation from RBS N.V., ABN AMRO Bank N.V. remained governed by the ABN AMRO Holding Managing and Supervisory Board and regulated on a consolidated basis with capital ratios, liquidity measures and exposures being reported to and regulated by the Dutch central bank.

Situation at 1 January 2010



Legal demerger of Dutch State-acquired businesses, 6 February 2010

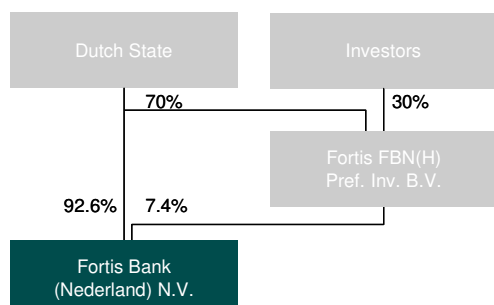


Note to the graphs: This overview does not include the Dutch State's part of the assets and liabilities that are not yet allocated to any of the Consortium shareholders in RFS Holdings B.V., the so-called Shared Assets.

Fortis Bank Nederland

On 1 January 2010, the Dutch State owned all ordinary shares in Fortis Bank (Nederland) N.V. On the same date, Fortis FBN(H) Preferred Investments B.V. owned 7.4% in non-cumulative preference shares A in the capital of Fortis Bank (Nederland) N.V. The Dutch State controlled this entity with 70% of the votes via shares with priority rights.

Situation at 1 January 2010



Transfer to ABN AMRO Group and legal merger

On 1 April 2010, ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. were transferred to ABN AMRO Group N.V., which was owned and controlled by the Dutch State. On the same date, the composition of the Managing Board and Supervisory Board changed.

On 1 April 2010 and following the transfer of ABN AMRO Bank to ABN AMRO Group, ABN AMRO Bank completed the sale of EC Remedy activities. This was a precondition set by the European Commission for the integration of ABN AMRO Bank and Fortis Bank Nederland. On the same day and following the completion of the EC Remedy, Fortis Bank Nederland was transferred from direct ownership by the Dutch State to ABN AMRO Group.

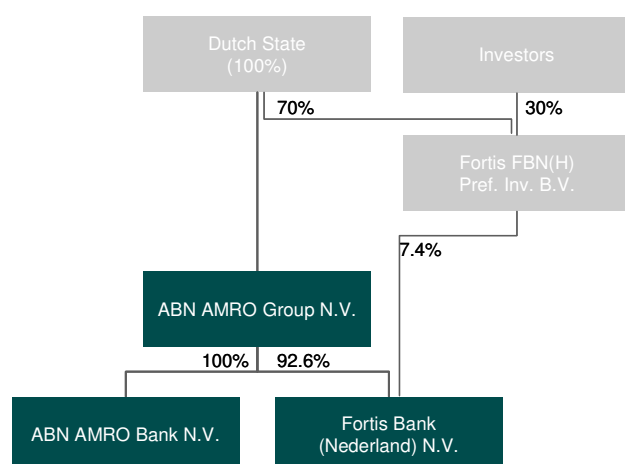
On 1 April 2010, '403 declarations' under Dutch law were issued to the effect that the new group company accepts joint and several liability for commitments entered into by ABN AMRO Bank and its subsidiaries and by Fortis Bank Nederland. From this date onwards, ABN AMRO Bank and Fortis Bank Nederland were under joint management by the same group company (ABN AMRO Group), with both banks run by identical Managing and Supervisory Boards.

On 15 April 2010, the Managing Boards of ABN AMRO Bank, Fortis Bank Nederland and ABN AMRO Group filed a merger proposal with the Amsterdam Chamber of Commerce in order to merge Fortis Bank Nederland into ABN AMRO Bank. The legal merger deed was passed on 30 June 2010 and became effective on 1 July 2010.

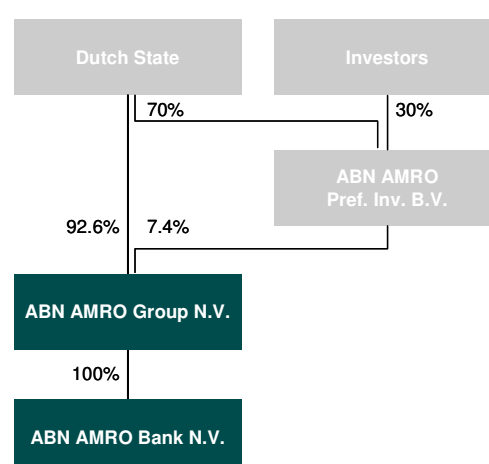
As of the date of the legal merger, the rights and obligations of Fortis Bank Nederland transferred to ABN AMRO Bank by law under universal title, and Fortis Bank Nederland ceased to exist. As of the same date, all activities, the branch network and every subsidiary of Fortis Bank Nederland were transferred to ABN AMRO. In connection with the legal merger, ABN AMRO Group (parent company of ABN AMRO Bank) issued non-cumulative preference shares A to ABN AMRO Preferred Investments (previously named Fortis FBN(H) Preferred Investments B.V.) in exchange for the preference shares it held in Fortis Bank Nederland.

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



Operational separation of activities of Fortis Bank Nederland

Separation from Fortis Bank SA/NV

At the end of June 2010, most of the services and separation projects were completed. Based on service level monitoring, the quality of the services provided was not negatively impacted by the separation.

Separation from ASR Nederland

The separation agreement with ASR Nederland was signed on 18 June 2010. On 30 June 2010, most of the projects were completed. In the third quarter the focus will be on finalising all projects and services outstanding.

Separation from Amlin Corporate Insurance (ACI)

The separation from Amlin Corporate Insurance is on track: most of all projects have been completed.

Operational separation of activities of ABN AMRO Bank

Legal Separation activities of ABN AMRO

Prior to the Legal Separation on 1 April 2010 the vast majority of the operational separation was effectuated. For a number of remaining operational dependencies Service Level Agreements (SLA's) were engaged into by both banks. Based on the service level monitoring the quality of the services received was as agreed between parties and therefore of high quality level. Furthermore, both banks agreed on a ramp down scenario for all SLA's. The execution of this ramp down is on schedule.

Operational separation activities of the EC Remedy activities

Per 1 April 2010 the disposal of the EC Remedy activities was completed. The Remedy branches (NEW HBU II and IFN Finance Nederland) have been formally transferred to Deutsche Bank.

Integration

On 1 July, the effective day of the legal merger, a major rebranding exercise took place where the Fortis Bank Nederland name was rebranded to ABN AMRO. Unlike the other businesses, Retail Banking will continue to use the Fortis Bank Nederland trade name for now, until the systems have been integrated. MeesPierson will operate under the name ABN AMRO MeesPierson. From 1 October, the Fortis Bank brand will no longer be used in the Netherlands, as the brand belongs to BNP Paribas Fortis.

On 6 July, ABN AMRO Bank merged the last of the 150 branches of the retail network in the Netherlands. This concluded a period of three months in which ABN AMRO Bank merged and closed down 150 of the 650 branches that originated after the merger. To secure a smooth transition for Fortis Bank Nederland customers, branches will remain twinned temporarily until the technical migration is complete. In this manner, Fortis Bank Nederland customers will have access to their trusted bank employees during the migration process. A concept which is well appreciated our customers. The technical migration of the 1.6 million Fortis Bank Nederland retail customers will take place in the second half of 2010. After migration, Fortis Bank Nederland and ABN AMRO Bank customers will have access to an extensive network of 500 branches in the Netherlands. The technical migration should be finalised by year-end, after which Private Banking and SME customers will follow.

As a result of the integration, ABN AMRO Bank plans to close thirty ABN AMRO Bank and former Fortis Bank Nederland head and regional offices between 2010 and 2013.

ABN AMRO Bank is now present in 28 countries and territories. With dealing rooms in New York, Singapore and Amsterdam, ABN AMRO Bank provides its full range of international financial products 24 hours a day across all the time zones.

10 Statement ex article 5:25d §2c Financial Markets Supervision Act

The members of the Managing Board hereby declare that, to the best of their knowledge, the condensed interim financial statements 2010, which have been prepared in accordance with IAS 34 interim financial reporting as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit/(loss) of ABN AMRO Group N.V. and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act (*Wet op het Financieel Toezicht*).

Amsterdam, 25 August 2010

Gerrit Zalm
Jan van Rutte
Johan van Hall
Caroline Princen
Wietze Reehoorn
Chris Vogelzang
Joop Wijn

Condensed Interim Financial Statements 2010

Condensed consolidated income statement

(in millions)

First half year
2010

First half year
2009
(unreviewed)

	Note		
Income			
Interest income		6,545	8,173
Interest expenses		(4,109)	(5,993)
Net interest income	3	2,436	2,180
Fee and commission income		1,335	1,123
Fee and commission expenses		(400)	(164)
Net fee and commission income	4	935	959
Net trading income	5	121	49
Results from financial transactions		17	128
Share of result in equity accounted investments		21	43
Other income	6	(693)	486
Operating income		2,837	3,845
Expenses			
Personnel expenses	7	(1,611)	(1,292)
General and administrative expenses	8	(1,520)	(1,076)
Depreciation and amortisation of tangible and intangible assets	9	(259)	(182)
Operating expenses		(3,390)	(2,550)
Loan impairment	16	(348)	(772)
Total expenses		(3,738)	(3,322)
Profit / (loss) before taxation		(901)	523
Income tax expenses	10	(67)	(103)
Profit / (loss) for the period		(968)	420
Attributable to:			
Non-controlling interests		2	4
Owners of the parent		(970)	416

The notes to the condensed interim financial statements are an integral part of these statements.

Condensed consolidated statement of comprehensive income

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Profit / (loss) for the period	(968)	420
<i>Other comprehensive income:</i>		
Currency translation account	62	5
Available for sale financial assets	32	54
Cash Flow hedging reserves	(255)	(138)
Other comprehensive income / (expense) for the period after taxation	(161)	(79)
Total comprehensive income / (expense) for the period after taxation	(1,129)	341
Total comprehensive income attributable to:		
Owners of the parent	(1,131)	331
Non controlling interests	2	10

The notes to the condensed interim financial statements are an integral part of these statements.

Condensed consolidated statement of financial position

(in millions)

30 June 2010

31 December 2009

	Note	30 June 2010	31 December 2009
Assets			
Cash and cash equivalents	11	22,485	4,368
Financial assets held for trading	12	22,072	20,342
Financial investments	13	19,521	20,763
Loans and receivables banks	14	43,890	46,485
Loans and receivables customers	15	279,259	279,306
Equity accounted investments		1,112	975
Property and equipment		1,813	1,937
Goodwill and other intangible assets	17	475	472
Accrued income and prepaid expenses		3,500	3,532
Tax assets	18	1,230	1,036
Other assets		9,394	7,300
Total assets		404,751	386,516
Liabilities			
Financial liabilities held for trading	12	27,384	26,951
Due to banks	19	46,732	43,095
Due to customers	20	211,679	205,040
Issued debt	21	79,422	70,837
Subordinated liabilities	22	9,102	11,747
Provisions	23	2,127	1,328
Accrued interest and deferred income		5,747	5,980
Tax liabilities	18	613	453
Other liabilities	24	10,560	12,087
Total liabilities		393,366	377,518
Share capital		940	
Share premium		11,400	
Other reserves (incl. retained earnings / result for the period)		(145)	9,650
Other components of equity		(1,035)	(874)
Equity attributable to shareholders of the parent company	25	11,160	8,776
Non-controlling interests		225	222
Total equity		11,385	8,998
Total liabilities and equity		404,751	386,516
Guarantees and other commitments	27	27,518	30,583
Committed credit facilities		183,924	190,703

The notes to the condensed interim financial statements are an integral part of these statements.

Condensed consolidated statement of changes in equity

<i>(in millions)</i>	Share capital	Share premium	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 1 January 2009 <i>(unreviewed)</i>			29,164	(6)	(110)	(789)	(18,486)	9,773	290	10,063
Total comprehensive income				5	54	(144)	416	331	10	341
Transfer			(18,486)				18,486			
Dividend										
Increase of capital										
Other changes in equity			(130)					(130)	2	(128)
Balance at 30 June 2009 <i>(unreviewed)</i>			10,548	(1)	(56)	(933)	416	9,974	302	10,276
Balance at 1 January 2010	0*		9,356	(19)	108	(963)	294	8,776	222	8,998
Total comprehensive income				62	32	(255)	(970)	(1,131)	2	(1,129)
Transfer			294				(294)			
Dividend										
Increase of capital	940	11,400	(9,068)					3,272		3,272
Other changes in equity			243					243	1	244
Balance at 30 June 2010	940	11,400	825	43	140	(1,218)	(970)	11,160	225	11,385

The notes to the condensed interim financial statements are an integral part of these statements.

During the reporting period, issued and paid-up share capital of ABN AMRO Group N.V. increased by EUR 940 million, following the issuance of new shares as at 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 11.4 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 conversion of the EUR 2.6 billion Mandatory Convertible Securities 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.

Other changes in equity are mainly related to the separation of ABN AMRO Bank N.V.

Cash flow hedges reserves decreased by EUR 255 million reflecting the unfavourable fair value movements of cash flow hedging derivatives in line with developments in interest rate markets.

Transfers include the allocation of the profit / (loss) of the prior period to the other reserves.

* The share capital at 1 January 2010 amounted EUR 0.1 million.

Condensed consolidated statement of cash flows

(in millions)

First half year
2010

First half year
2009
(unreviewed)

Profit / (loss) before taxation	(901)	523
<i>Adjustments on non-cash items included in profit before taxation:</i>		
(Un)realised gains (losses)	965	77
Share of profits in associates and joint ventures	(21)	(43)
Depreciation, amortisation and accretion	161	159
Provisions and impairments	838	771
<i>Changes in operating assets and liabilities:</i>		
Assets and liabilities held for trading	(1,900)	982
Loans and receivables banks	2,062	(13,652)
Loans and receivables customers	(10,343)	(20,460)
Other receivables	(1,474)	462
Due to banks	5,341	13,786
Due to customers	14,269	10,483
Net changes in all other operational assets and liabilities	(625)	859
Income tax paid	(120)	(161)
Cash flow from operating activities	8,252	(6,214)
<i>Investment activities within the group</i>		
Purchases of investments	(6,405)	(6,355)
Proceeds from sales and redemptions of investments	8,596	3,563
Investments in associates and joint ventures	(157)	(7)
Purchases of property and equipment	(58)	(96)
Proceeds from sales of property and equipment	46	57
Divestments of subsidiaries (net of cash sold), associates and joint ventures	56	12
Purchases of intangible assets	(7)	(51)
Other changes	142	(15)
Cash flow from investing activities	2,213	(2,892)
Proceeds from the issuance of debt certificates	23,021	15,972
Repayment of debt certificates	(15,854)	(4,176)
Repayment of subordinated liabilities	(331)	(1,611)
Proceeds from the issuance of shares	490	
Cash flow from financing activities	7,326	10,185
Effect of exchange rate differences on cash and cash equivalents	326	142
Net increase (decrease) of cash and cash equivalents	18,117	1,221
Cash and cash equivalents as at 1 January	4,368	3,414
Cash and cash equivalents as at 30 June	22,485	4,635
Non cash financing and investing activities		
Conversion of subordinated debt to equity	2,703	
Supplementary disclosure of operating cash flow information		
Interest received	6,909	9,314
Dividend received from investments	5	8
Interest paid	(4,937)	(7,180)

The notes to the condensed interim financial statements are an integrated part of these statements.

Notes to the condensed interim financial statements

1 General information

Corporate information

ABN AMRO Group N.V. (referred to as 'ABN AMRO Group' or 'the Company') is the parent company of the ABN AMRO 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 through its businesses Retail & Private Banking and Commercial & Merchant Banking. Its operations are conducted primarily in the Netherlands and selectively abroad.

The condensed interim financial statements of ABN AMRO for the six months ended 30 June 2010 incorporate financial information of ABN AMRO Group N.V., its controlled entities, interests in associates and joint ventures. The condensed interim financial statements were signed and authorised for issue by the Supervisory Board and Managing Board on 25 August 2010.

Restructuring of ABN AMRO

The following transactions were effected on 1 April 2010:

- ABN AMRO Bank N.V. was legally separated from the former ABN AMRO Holding N.V. (renamed RBS Holdings N.V.);
- ABN AMRO Group N.V. acquired ABN AMRO Bank N.V. 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 HBU II N.V. and IFN Finance B.V. to Deutsche Bank. The closing of the sale was a prerequisite imposed by the European Commission's competition requirement ('EC Remedy') for ABN AMRO Group N.V. to acquire Fortis Bank (Nederland) N.V.;
- ABN AMRO Group acquired all outstanding 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 holds one subsidiary named ABN AMRO Bank N.V.

Basis of presentation

The condensed interim financial statements are the first consolidated interim financial statements prepared by ABN AMRO Group N.V. consolidating the businesses of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. for the six-month period ended 30 June 2010.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements as part of the ABN AMRO Bank N.V. Annual Review as at 31 December 2009 and as part of the Fortis Bank (Nederland) N.V. Annual Report as at 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and IFRS as adopted by the European Union, respectively.

The legal and economic creation of the new ABN AMRO Group took place in various different phases over the past period, ultimately resulting in the legal merger between ABN AMRO Bank and Fortis Bank (Nederland) as a subsidiary of ABN AMRO Group as at 1 July 2010. The different steps leading to the creation of the new ABN AMRO Group have been accounted for in the condensed interim financial statements as described below.

The combination of ABN AMRO Group and ABN AMRO Bank can be regarded as a continuation of the financial history of the Dutch State-acquired businesses of the former ABN AMRO Bank N.V., because ABN AMRO Group did not constitute a business as of the date ABN AMRO Bank was acquired. As a result, the consolidated interim financial statements include the results of ABN AMRO Bank for the full six-month period ended 30 June 2010, as if the combination of ABN AMRO Group and ABN AMRO Bank has existed in its current form since 1 January 2010. Comparative information has been included for 2009.

The subsequent acquisition by ABN AMRO Group of Fortis Bank Nederland qualifies as a transaction under common control and has therefore 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 at the moment of acquisition and no goodwill has been recognised by ABN AMRO Group. Therefore, the condensed interim financial statements of ABN AMRO Group include the financial results of Fortis Bank Nederland for the full six months ended 30 June 2010, as if the two banks have been together since 1 January 2010. Comparative information has been included for 2009.

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. Any 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. The net impact of the harmonisation has remained insignificant to the opening equity as at 1 January 2009 and the income statement. More details of the effect of the accounting policy harmonisation are provided in the section 'Accounting policy harmonisation'.

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 condensed interim financial statements are prepared 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, and 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.

The condensed interim financial statements are presented in euros, which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

Compliance statement

The condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These condensed interim financial statements are presented in accordance with IAS 34 Interim Financial Reporting.

Significant accounting policies

The accounting policies used to prepare these condensed interim 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 principles as described below.

A summary of the harmonised accounting policies is provided at the end of the condensed interim financial statements. Where accounting policies are not specifically mentioned below or in the appendix which forms an integral part of the condensed consolidated interim financial statements, reference should be made to the IFRS as adopted by the European Union.

Accounting policy harmonisation

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 principles. The harmonisation related primarily to accounting for joint ventures, the determination of loan loss impairments and the valuation of debt instruments and impairments:

To determine the amounts of loan loss impairments, the bank should take into account the impact of discounting expected recoveries of collateral and other cash flows. The approaches have been aligned and it has been decided to adopt the former ABN AMRO Bank 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 related 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 adopt the former 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 to which it applies.

In anticipation of Exposure Draft 9, the treatment of joint ventures has been harmonised. Given that ABN AMRO Bank proportionally consolidated joint ventures in the past, the presentation in the statement of financial position and in the income statement has been adjusted to equity accounting. There was no impact on equity as a result of this adjustment.

Furthermore, there have been alignments in the classifications of certain items in the profit and loss account, such as the treatment of commitment fees, expenses for external staff and elements of trading income.

Changes in accounting policies

On 1 January 2010, ABN AMRO adopted the revised IFRS 3 'Business Combinations' ('IFRS 3') and the amendments to IAS 27 'Consolidated and Separate Financial Statements'. The main changes under the standards are that:

- acquisition-related costs are recognised as an expense in the income statement in the period in which they are incurred;
- all consideration transferred, including contingent consideration, is recognised and measured at fair value at the acquisition date;
- equity interests held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognised in the income statement;
- changes in a parent's ownership interest in a subsidiary that do not result in a change of control are treated as transactions between equity holders and are reported in equity; and
- an option is available, on a transaction-by-transaction basis, to measure any non-controlling (previously referred to as minority) interests in the entity acquired either at fair value, or at the non-controlling interests' proportionate share of the net identifiable assets of the entity acquired.

In terms of their application to ABN AMRO, 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.

In addition to the above, during the period ended 30 June 2010 ABN AMRO adopted a number of standards and interpretations and amendments thereto which had an insignificant effect on these consolidated financial statements.

New accounting standards and interpretations

At 30 June 2010, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these condensed interim financial statements. ABN AMRO does not expect the adoption of any of these to have a significant effect on these condensed interim financial statements, except for IFRS 9 'Financial instruments', issued in December 2009. This standard addresses the classification and measurement of financial assets and is likely to affect ABN AMRO's accounting for its financial assets. The standard is not applicable until 1 January 2013; it is available for early adoption, but not yet endorsed by the EU. ABN AMRO is yet to assess IFRS 9's full impact. However, initial indications are that it may affect ABN AMRO's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

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.

ABN AMRO Group is organised on a worldwide basis into two business segments and a support segment:

- Retail & Private Banking;
- Commercial & Merchant Banking;
- Other.

Retail & Private Banking

Retail Banking serves individuals, small businesses and self-employed people. Its mission is to create a profitable and solid business by delivering first-class service to both current and prospective customers. This mission has been translated into a strategy and service concept designed to meet customer 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 as Neuflyze and Delbruck 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 and their international operations. Its client base includes business start-ups, established small & medium enterprises and larger corporate clients, as well as public institutions, multinationals and institutional investors. Commercial & Merchant Banking is organised along four business activities servicing defined client groups: Business Banking, Corporate Clients, Large Corporates & Merchant Banking and Markets. Marketing & Products is the central unit for marketing, communications, product management (loans, working capital and insurance) and sector advisory.

Other

Other includes activities not directly attributable to the business lines. These are not separate reportable segments as they do not qualify for operating segment that engaged in business activities.

Other includes support functions such as Finance (including ALM/Treasury), Technology Operations Property and Services, Risk Management & Strategy, Integration Communication & Compliance, Audit and the Corporate Secretariat.

Segment information for the first half year 2010

<i>(in millions)</i>	<i>First half year 2010</i>				
	<i>Retail & Private Banking</i>	<i>Commercial & Merchant Banking</i>	<i>Other</i>	<i>Eliminations</i>	<i>Total</i>
Net interest income	1,730	792	(87)	1	2,436
Non-interest income	649	537	(783)	(2)	401
Operating income	2,379	1,329	(870)	(1)	2,837
Operating expenses	(1,448)	(1,075)	(868)	1	(3,390)
Loan impairments	(141)	(231)	24		(348)
Profit / (loss) before taxation	790	23	(1,714)		(901)
Income tax expenses	(210)	(32)	175		(67)
Profit / (loss) for the period	580	(9)	(1,539)		(968)

Segment information for the first half year 2009

<i>(in millions)</i>	<i>(unreviewed) First half year 2009</i>				
	<i>Retail & Private Banking</i>	<i>Commercial & Merchant Banking</i>	<i>Other</i>	<i>Eliminations</i>	<i>Total</i>
Net interest income	1,451	750	(41)	20	2,180
Non-interest income	581	494	609	(18)	1,665
Operating income	2,032	1,244	568	2	3,845
Operating expenses	(1,411)	(765)	(373)	(2)	(2,550)
Loan impairments	(270)	(415)	(87)		(772)
Profit / (loss) before taxation	351	64	108		523
Income tax expenses	(97)	12	(18)		(103)
Profit / (loss) for the period	254	76	90		420

3 Net interest income

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Interest income	6,545	8,173
Interest expenses	(4,109)	(5,993)
Net interest income	2,436	2,180

Net interest income increased primarily in Retail & Private Banking due to further growth in the small-sized enterprises loan portfolio and in savings deposits. Margins on savings deposits started to recover as of the end of 2009 as low-margin fixed-rate deposits matured and were replaced by short-term variable-rate deposits which have a higher margin. Mortgage volumes were relatively stable, despite declining new mortgage production. Commercial & Merchant Banking benefited from growth of the loan portfolio. In addition a decline in net interest income was due to the divestments and interest expenses for EUR 2.6 billion Mandatory Convertible Securities (MCS) issued to the Dutch State over the first three months of 2010.

4 Net fee and commission income

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Fee and commission income	1,335	1,123
Fee and commission expense	(400)	(164)
Net fee and commission income	935	959

The increase in the fee and commission income and expenses was mainly due to the acquisition of ABN AMRO Clearing Americas LLC in August 2009.

5 Net trading income

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Interest instruments trading	(75)	(96)
Foreign exchange trading	88	121
Equity and commodity trading	62	92
Other	46	(68)
Total net trading income	121	49

6 Other income

Other income includes the following elements:

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Leasing activities	42	41
Disposal of operating activities and equity accounted investments	(805)	17
Other	70	428
Total other income	(693)	486

The closing of the EC Remedy took place on 1 April 2010. The total result of this divestment is a loss of EUR 812 million. The loss is conditional to an audit of the closing accounts which will be completed in the second half of 2010.

Other income for the first half of 2009 included a sum of EUR 363 million paid by Ageas SA/NV and Ageas N.V. (previously Fortis SA/NV and Fortis N.V.) to Fortis Capital Company Ltd. relating to the cash settlement of 362,511 class A1 FCC preference shares.

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 acquired by the Dutch State and those of Fortis Bank Nederland.

The transaction was concluded on 1 April 2010; the result on this transaction was therefore recorded in the second quarter of 2010. The total transaction result recorded is a loss of EUR 812 million. This transaction loss include:

- a book loss (difference between sale price and book value);
- a credit loss guarantee (covers 75% of potential credit losses of the portfolio at the time of the closing of the transaction);
- a cross liability (HBU new remains under Dutch law legally liable for all debts of AAB and RBS NV. This so-called cross liability is capped to the equity of the new HBU entity. As part of the sale agreement ABN AMRO Bank has agreed to indemnify Deutsche Bank AG for the risk related to this cross liability for a period of 5 years.);
- and transaction related costs.

ABN AMRO Bank bought a counter guarantee to cover this risk.

The credit umbrella covers the portfolio that existed at the time of closing, i.e. 1 April 2010, and provides for protection against potential losses on the principal amount, interest and, to a certain extent, credit-related fees for:

- committed exposure with a specified maturity date: until (re)payment in full;
- committed exposure without a specified maturity date and any uncommitted exposure: until 1 year after closing.

Material amendments will lead to lapse of the coverage under the credit umbrella. ABN AMRO Bank N.V. estimated the 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 liability for the credit loss guarantee is amortised and periodically tested if the guarantee fee is sufficiently accrued. 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.

Fortis Capital Company

In 2009 Other income includes a sum of EUR 363 million paid by Ageas SA/NV and Ageas N.V. (previously Fortis SA/NV and Fortis N.V.; together Fortis Holdings) to Fortis Capital Company Ltd. relating to the cash settlement of 362,511 class A1 FCC preference shares.

Fortis Capital Company Ltd. (a legal name change to ABN AMRO Capital Finance Ltd. is to be effectuated shortly) issued class A1 preference shares in 1999. Fortis Capital Company Ltd. (FCC) was a wholly-owned subsidiary of Fortis Bank Nederland (and, since 1 April 2010, of ABN AMRO Group). On the reporting date, and following the cash settlement of 29 June 2009, a number of 87,489 of remaining class A1 preference shares are outstanding with a total nominal value of EUR 87,489,000. This amount is reported in the balance sheet under subordinated loans. The class A1 preference shares are listed and traded on Euronext Amsterdam by NYSE Euronext.

Ageas initiated court proceedings against FCC, ABN AMRO Bank N.V. and the Dutch State, claiming EUR 362.5 million compensation which Ageas was liable for on the cash settlement date. These proceedings are pending. In an initial summary hearing of 25 June 2009 the court ruled and denied all claims of Ageas. FCC and ABN AMRO Bank N.V. continue to hold the opinion that Ageas is not entitled to any compensation.

In the second half of 2009, ABN AMRO Bank N.V. reassessed the tax treatment of the cash settlement of FCC, 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.

7 Personnel expenses

Personnel expenses for the first half of 2010 and first half of 2009 are as follows:

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Salaries and wages	959	1,102
Social security charges	124	61
Pension expenses relating to defined benefit plans	(1)	21
Defined contribution plan expenses	23	22
Other	506	86
Total personnel expenses	1,611	1,292

Other personnel expenses include the costs for non-monetary benefits such as medical costs, termination benefits, restructuring costs and the share-based payments.

The increase in personnel expenses was caused mainly by the restructuring provision for personnel of EUR 427 million, offset by a positive amount (EUR 54 million) for curtailment of the pension provision.

In 2009, salaries and wages and social security charges were invoiced from RBS N.V. and are reported on the line salaries and wages.

8 General and administrative expenses

General and administrative expenses are as follows:

<i>(in millions)</i>	<i>First half year 2010</i>	<i>First half year 2009 (unreviewed)</i>
Operating lease rental expenses and related expenses	77	78
Professional fees	219	154
Marketing and public relations costs	69	79
Information technology costs	422	317
Maintenance and repair expenses	68	63
External staff costs	105	94
Travel	24	23
Post, telephone and transport	47	50
Other	489	218
Total General and administrative expenses	1,520	1,076

General and administrative expenses includes the integration and separation costs for specific cost categories. Integration and separation costs amounted to EUR 177 million for the first half year 2010 (2009: EUR 78 million).

Other includes costs for closing of offices (EUR 28 million).

9 Depreciation and amortisation

The increase in depreciation and amortisation of tangible and intangible assets is due to write-offs of office buildings and equipment, as part of the restructuring, amounting to EUR 68 million.

10 Income tax expenses

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate was impacted by the non-tax deductibility of the additions to the legal provision, the non-tax deductibility of the funding costs of several Tier 1 capital instruments and the EC Remedy loss.

11 Cash and cash equivalents

Cash and balances at central banks increased by EUR 18.1 billion, mainly due to the liquidity buffer which is in place for prudency reasons.

12 Financial assets and liabilities held for trading

Financial assets held for trading

The table below shows the composition of Assets held for trading.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Trading securities	10,702	12,098
Trading derivatives	10,160	7,578
Other assets held for trading	1,210	666
Total assets held for trading	22,072	20,342

Financial assets held for trading increased by EUR 1.7 billion as a result of the Markets activities of Commercial & Merchant Banking, partly offset by the divestment under the EC Remedy.

Financial liabilities held for trading

The table below shows the composition of Liabilities held for trading.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Short security positions	15,844	20,392
Derivatives held for trading	10,825	6,492
Other liabilities held for trading	715	67
Total liabilities held for trading	27,384	26,951

The decrease in short security positions is due to a decrease in the shareportfolio. Also as a result of the end of the dividend season.

Movements are related to the Markets activities of Commercial & Merchant Banking, partly offset by the divestment under the EC Remedy.

13 Financial investments

The composition of Investments is as follows:

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Investments:		
- Held to maturity	34	33
- Available for sale	18,855	19,998
- Held at fair value through profit or loss	645	741
Total, gross	19,534	20,772
Impairments:		
- on investments available for sale	(13)	(9)
Total impairments	(13)	(9)
Total financial investments	19,521	20,763

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:

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Interest-earning securities		
Dutch government	2,334	2,921
US Treasury and US Government	448	
Other OECD government	9,001	11,146
Non OECD government	41	
Mortgages and other asset backed securities	1,762	885
Financial institutions	2,686	2,429
Non financial institutions	109	345
Other interest earning securities	2,209	2,043
Subtotal	18,590	19,769
Equity instruments:		
Equity instruments	265	229
Total investments available for sale	18,855	19,998

Financial investments decreased by EUR 1.2 billion due mainly to the sale of government bonds for asset and liability management purposes

14 Loans and receivables banks

This item is comprised of amounts due from or deposited with banking institutions.

(in millions)

30 June 2010

31 December 2009

Interest-bearing deposits	7,961	20,020
Loans and advances	7,216	3,702
Reverse repurchase agreements	5,919	4,525
Securities borrowing transactions	19,407	16,643
Mandatory reserve deposits with central banks	3,299	1,202
Other	138	453
Total	43,940	46,545
Less: loan impairment	(50)	(60)
Loans and receivables banks	43,890	46,485

Loans and receivables banks declined by EUR 2.6 billion. This net decrease is mainly the result of a settlement of EUR 16.4 billion with RBS N.V. following the legal separation, offset by an increase of EUR 7.7 billion in Commercial & Merchant Banking activities, an increase of EUR 2.1 billion in mandatory reserve deposits with central banks and an increase of EUR 4.4 billion in interest bearing deposits.

For loan impairment details, see note 16.

15 Loans and receivables customers

This item is comprised of amounts receivable from non-bank customers.

(in millions)

30 June 2010

31 December 2009

Government and official institutions	3,639	4,036
Residential mortgage	161,391	161,205
Fair value adjustment from hedge accounting	3,305	1,711
Consumer loans	13,135	14,258
Commercial loans	86,468	87,105
Reverse repurchase agreements	4,549	2,774
Securities borrowing transactions	9,177	10,622
Financial lease receivables	194	204
Factoring	1,509	1,512
Total	283,367	283,427
Less: loan impairment	(4,108)	(4,121)
Loans and receivables – customers	279,259	279,306

For details of loan impairment see note 16.

16 Loan impairment

(in millions)

	Banks	Commercial loans	Consumer loans	Total
Balance as at 1 January 2010	60	3,479	642	4,181
New impairment allowances	3	426	185	614
Reversal of impairment allowances no longer required	(9)	(165)	(78)	(252)
Recoveries of amounts previously written off		(2)	(12)	(14)
Total loan impairment	(6)	259	95	348
Amount recorded in interest income from unwinding of discounting		(12)		(12)
Currency translation differences	5	47	6	58
Amounts written off (net)	(9)	(42)	(134)	(185)
Effect of (de)consolidating entities		(236)	(26)	(262)
Reserve for unearned interest accrued on impaired loans		25	1	26
Other adjustments		2	2	4
Balance as at 30 June 2010	50	3,522	586	4,158

(in millions)

	Banks	Commercial loans	Consumer loans	Total
Balance as at 1 January 2009 (unreviewed)	30	2,574	508	3,112
New impairment allowances	39	734	196	969
Reversal of impairment allowances no longer required	(6)	(172)	(18)	(196)
Recoveries of amounts previously written off			(1)	(1)
Total loan impairment	33	562	177	772
Amount recorded in interest income from unwinding of discounting		(18)	(1)	(19)
Currency translation differences	(1)	6		5
Amounts written off (net)		(212)	(58)	(270)
Effect of (de)consolidating entities				
Reserve for unearned interest accrued on impaired loans		62		62
Other adjustments		23	1	24
Balance as at 30 June 2009 (unreviewed)	62	2,997	627	3,686

17 Goodwill and other intangible assets

Goodwill and other intangible assets as at 30 June 2010 and 31 December 2009 are as follows:

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Goodwill	238	231
Purchased software	163	157
Internally developed software	61	69
Other intangible assets	13	15
Total	475	472

As at 30 June 2010, no impairment losses were recognised or reversed.

18 Recognised tax assets and liabilities

The table below summarises the tax position as at 30 June 2010 and 31 December 2009.

<i>(in millions)</i>	<i>30 June 2010</i>		<i>31 December 2009</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Current tax	497	470	499	369
Deferred tax	733	143	537	84
Total	1,230	613	1,036	453

The increase in the deferred tax is mainly caused by the changes in the cash flow hedges.

19 Due to banks

This item is comprised of amounts due to banking institutions, including central banks and multilateral development banks.

(in millions)

30 June 2010

31 December 2009

Deposits from banks:		
Demand deposits	6,147	1,841
Time deposits	10,046	5,683
Other deposits	15,178	15,519
Total deposits	31,371	23,043
Repurchase agreements	6,396	10,092
Securities lending transactions	6,770	8,487
Advances against collateral	700	
Other	1,495	1,473
Total due to banks	46,732	43,095

Due to banks rose by EUR 3.6 billion as a result of an increase in total deposits of EUR 8.3 billion, offset by a decrease in repurchase agreements due to security borrowing and lending transactions of EUR 3.7 billion.

20 Due to customers

This item is comprised of amounts due to non-banking customers.

(in millions)

30 June 2010

31 December 2009

Demand deposits	83,378	85,913
Saving deposits	70,018	67,966
Time deposits	47,875	49,151
Other deposits	540	188
Total deposits	201,811	203,218
Repurchase agreements	8,895	913
Securities lending transactions	501	566
Other borrowings	472	343
Total due to customers	211,679	205,040

The increase in repurchase agreements is due to securities borrowing and lending services.

21 Issued debt

The following table shows the types of Debt securities issued by ABN AMRO Group N.V. and the amounts outstanding.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Bonds and notes issued	51,311	43,631
Certificates of deposit and commercial paper	27,032	25,857
Cash notes, saving certificates and bank certificates	1,079	1,349
Total issued debt	79,422	70,837

Issued debt shows a net increase of EUR 8.6 billion. This increase relates to active financing initiatives in short- and long-term maturities and prudent liquidity management.

Changes in the issued debt are shown below.

Balance as at 1 January 2009 <i>(unreviewed)</i>	59,424
Issuance	15,972
Redemption	(4,176)
Other	201
Balance as at 30 June 2009 <i>(unreviewed)</i>	71,421
Balance as at 31 December 2009	70,837
Issuance	23,021
Redemption	(15,854)
Other	1,418
Balance as at 30 June 2010	79,422

22 Subordinated liabilities

The following table provides a specification of the Subordinated liabilities as at 30 June 2010 and 31 December 2009.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Liability component of subordinated convertible securities	2,016	2,034
Other subordinated liabilities	7,290	9,886
USD 250 million subordinated note 2023 issued by RBS acquired businessess of former ABN AMRO Bank N.V. (now RBS N.V.) reported in Due to banks ⁴	(204)	(173)
Total subordinated liabilities	9,102	11,747

The decrease in other subordinated liabilities is for EUR 2.6 billion due to the conversion of EUR 2.6 billion Mandatory Convertible Note on 1 April 2010 which were converted from subordinated liabilities into equity.

Changes in subordinated liabilities are shown below. Redemptions include the EUR 2.6 billion conversion of the Dutch State-held Mandatory Convertible Securities into equity on 1 April 2010.

Balance as at 1 January 2009 <i>(unreviewed)</i>	12,488
Issuance	
Redemption	(1,611)
Other	(326)
Balance as at 30 June 2009 <i>(unreviewed)</i>	10,551
Balance as at 31 December 2009	11,747
Issuance	
Redemption	(331)
Conversion mandatory convertible securities	(2,600)
Other	286
Balance as at 30 June 2010	9,102

8.75% Mandatory convertible securities (MCS)

The Mandatory Convertible Securities have a nominal amount of EUR 2 billion and pay a semi-annual coupon, in arrears, at an annual rate of 8.75%. The MCS are reported in the balance sheet under subordinated liabilities and qualify for regulatory purposes as Tier 1 capital.

The MCS constitute unsecured and subordinated obligations of ABN AMRO Bank N.V. (at the time Fortis Bank (Nederland) N.V.), BNP Paribas Fortis (former Fortis Bank SA/NV and Ageas SA/NV and Ageas N.V. (previously Fortis SA/NV and Fortis N.V. respectively). As set out in the prospectus, the obligations of the issuers of the MCS are joint and several. The MCS are subordinated to all other loans, subordinated loans and preference shares, but rank senior to ordinary shares.

All outstanding MCS will be mandatorily converted on 7 December 2010 into a number of Ageas SA/NV and Ageas N.V. shares, to be determined in accordance with the prospectus.

On 7 June 2010, the last semi-annual coupon was paid.

The MCS are listed and traded on Euronext Amsterdam by NYSE Euronext.

⁴ The USD 250 million 7.75% subordinated lower Tier 2 notes 2023, while economically allocated to ABN AMRO Bank N.V., remain a legal obligation of RBS N.V. These notes were not transferred to ABN AMRO Bank N.V. as part of the Dutch legal demerger process, because they are governed by US law.

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

Fortis Capital Company Ltd.

The Fortis Capital Company Ltd. preference shares were issued in 1999. Fortis Capital Company is a wholly-owned subsidiary of ABN AMRO Group N.V. On the reporting date, 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. This amount is reported in the balance sheet under subordinated loans. The class A1 preference shares are listed and traded on Euronext Amsterdam by NYSE Euronext.

On the reporting date the class A1 preference shares qualify as Tier 1 capital. As of 1 July 2010, the class A1 preference shares were reclassified to upper Tier 2 capital. On 16 August 2010 an announcement was made to call for redemption of all remaining outstanding class A 1 preference shares on the dividend payment date of 29 September 2010. The required approvals for redemption have been obtained.

Ageas (previously Fortis Holdings) initiated court proceedings against Fortis Capital Company 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. Fortis Capital Company Ltd. and ABN AMRO Bank N.V. continue to hold the opinion that Ageas is not entitled to any compensation.

The last coupon payment was made on 29 June 2010.

23 Provisions

The table below shows the breakdown of Provisions as at 30 June 2010 and 31 December 2009.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Credit commitments	29	33
Restructuring	530	98
Other staff provision	227	221
Insurance fund liabilities	348	327
Provision for pension commitments	156	166
Other	837	483
Total provisions	2,127	1,328

Restructuring

The legal merger was effectuated on 1 July 2010. Preparations for the integration of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. had already commenced in the second quarter of 2010. As of 1 July 2010 about 150 bank offices closed their doors. During the second quarter, preparations for the integration had progressed so far that the integration was irreversible, meaning the requirements to record a restructuring provision were met. The total amount recorded was EUR 469 million. This amount includes costs related to the reduction of staff of EUR 427 million, a positive amount for curtailment of pension costs of EUR 54 million, impairments for facilities of EUR 68 million (charged to depreciation) and EUR 28 million for onerous' contracts (charged to general and administrative expenses). The calculated restructuring provision for staff is based on a model with certain assumptions such as salary scales, time spent in the Redeployment Centre and the latest expected number of people to be declared redundant. Actuals are compared with the assumptions on a periodic basis and the restructuring provision is adjusted if necessary. The restructuring provision will be used in the period starting 1 July 2010 until the end of 2013.

Other

The increase in Other was mainly due to additions to the legal provision, which are estimated amounts based on all relevant factors and information existing at the balance sheet date. Actual results may differ from those estimates and judgement decisions. The information usually required by IAS 37 is not disclosed, because management believes that doing so would seriously bias the outcome of the litigation.

24 Other liabilities

Other liabilities include a credit loss guarantee (credit umbrella) of EUR 357 million. This accrual covers 75% of the potential credit losses of the portfolio at the time of closing of the transaction. The cover is capped to an amount in EURO equal to 10% of the notional amount of the referenced credit portfolio as per 1 April 2010.

The credit umbrella covers the portfolio that existed at the time of closing, i.e. 1 April 2010, and provides for protection against potential losses on the principal amount, interest and, to a certain extent, credit related fees for:

- committed exposure with a specified maturity date: until (re)payment in full;
- committed exposure without a specified maturity date and any uncommitted exposure: until 1 year after Closing.

Material amendments will lead to lapse of the coverage under the credit umbrella. ABN AMRO Bank N.V. 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. 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.

25 Equity attributable to shareholders of the parent company

The following table shows the composition of Issued capital and reserves as at 30 June 2010 and 31 December 2009.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Share capital	940	
Share premium	11,400	
Other reserves (incl. retained earnings / result for the period)	(145)	9,650
Other components of equity	(1,035)	(874)
Equity attributable to shareholders of the parent company	11,160	8,776

During the reporting period, issued and paid-up share capital of ABN AMRO Group N.V. increased by EUR 940 million, following the issuance of new shares as at 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 11.4 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 conversion of the EUR 2.6 billion Mandatory Convertible Securities 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.

Other changes in equity are mainly related to the separation of ABN AMRO Bank N.V.

Cash flow hedges reserves decreased by EUR 255 million reflecting the unfavourable fair value movements of cash flow hedging derivatives in line with developments in interest rate markets.

The preference share dividend over 2009 has been reserved into a dedicated preference share dividend reserve. Both the preference shares and the dedicated dividend reserve are recognised as Tier 1 capital. Until January 2013, the preferred dividend on the class A preference shares is 5.85%.

The following table shows the number of outstanding shares:

	<i>Ordinary shares</i>	<i>Preference shares</i>	<i>Total shares outstanding</i>
Number of shares at 31 December 2009	100,000		100,000
Issued	939,900,000		939,900,000
Conversion preference shares into ordinary shares			
Number of shares at 30 June 2010	940,000,000		940,000,000

26 Acquisitions and divestments

The table below shows the acquisitions and divestments made in 2009 and the first half of 2010.

<i>(in millions)</i>	<i>First half year 2010</i>		<i>First half year 2009</i>	
	<i>Acquisitions</i>	<i>Divestments</i>	<i>Acquisitions</i>	<i>Divestments</i>
Net assets acquired / Net assets divested		(886)		
Cash used for acquisitions / received for divestments		56		17

Divestment 2010

On 23 December 2009 Deutsche Bank A.G. and ABN AMRO Bank N.V. entered into a Share Purchase Agreement (SPA) regarding NEW HBU II N.V. and IFN Finance B.V. (the EC Remedy). The European Commission required a certain percentage of the commercial banking business to be sold before it would approve the merger between ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. The closing of this transaction took place on 1 April 2010, and the result on sale was recorded in the second quarter of 2010. The total result recorded is a loss of EUR 812 million. The sale price agreed for the EC Remedy is EUR 700 million.

The transaction loss include:

- a book loss (difference between sale price and book value);
- a credit loss guarantee (covers 75% of potential credit losses of the portfolio at the time of the closing of the transaction);
- a cross liability (HBU new remains under Dutch law legally liable for all debts of AAB and RBS NV. This so-called cross liability is capped to the equity of the new HBU entity. As part of the sale agreement ABN AMRO Bank has agreed to indemnify Deutsche Bank AG for the risk related to this cross liability for a period of 5 years.);
- and transaction related costs.

27 Commitments and contingent liabilities

The committed credit facilities, guarantees and other commitments at 30 June 2010 and 31 December 2009 are summarised below.

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
Committed credit facilities	183,924	190,703
<i>Guarantees and other commitments:</i>		
Guarantees granted	20,317	24,047
Irrevocable letters of credit	1,955	2,422
Recourse risks arising from discounted bills	5,246	4,114
Total guarantees and other commitments	27,518	30,583
Total	211,442	221,286

Other contingencies

ABN AMRO Group is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting the condensed interim financial information, management makes estimates 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 advisers, ABN AMRO Group has the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the condensed interim financial position and the interim result of ABN AMRO Group.

On 6 February 2010, ABN AMRO Bank N.V. demerged into two entities: RBS N.V. (the former ABN AMRO Bank N.V.) and ABN AMRO Bank N.V. In principle, investors now only have recourse to the entity to which the relevant assets and liabilities have been transferred for payments in respect of the appropriate securities. Under the Dutch Civil Code, however, each entity remains liable to creditors for the monetary obligations of the other entity that existed at the date of the legal demerger in the event that the other entity cannot meet its obligations to those creditors. In each case, the liability relates only to obligations existing at the date of the legal demerger. The liability of ABN AMRO Bank is limited to the amount of equity acquired at legal demerger, which amounted to EUR 1.8 billion. The liability of RBS N.V. is limited to the equity retained at legal demerger, amounting to EUR 4.0 billion. ABN AMRO Bank has made arrangements to mitigate the risks of liability to the creditors which transferred to RBS N.V. upon legal demerger. RBS N.V. has also made arrangements to mitigate the risks of liability to the creditors that transferred from RBS N.V. to ABN AMRO Bank. Both of these entities hold the level of regulatory capital agreed upon with the Dutch Central Bank for purposes of covering any residual risks.

28 Related parties

ABN AMRO has a related party relationship with joint ventures, associates, key management and the shareholder of its parent company ABN AMRO Group N.V. The shareholder of ABN AMRO Group N.V. is the Dutch State, which is therefore a related party.

ABN AMRO enters into a number of banking transactions with related parties in the normal course of business. These transactions, which include loans, deposits and foreign currency transactions, take place on an arm's length basis and are carried out on commercial terms and at market rates.

Balances with joint ventures and associates

<i>(in millions)</i>	<i>30 June 2010</i>				<i>31 December 2009</i>			
	<i>Joint ventures</i>	<i>Associates</i>	<i>Other</i>	<i>Total</i>	<i>Joint ventures</i>	<i>Associates</i>	<i>Other</i>	<i>Total</i>
Balance sheet - Related parties								
Receivables	313	279	131	723	269	177	19	465
Liabilities	7	151	4	162	54	61	6	121
Guarantees given	8			8				
Irrevocable facilities						8		8
Income received	6			6	28	72	2	102
Expenses paid			36	36	26	(15)		11

Balances with the Dutch State

<i>(in millions)</i>	<i>30 June 2010</i>	<i>31 December 2009</i>
<i>Assets</i>		
Financial assets held for trading	1,351	60
Financial investments - available for sale	2,162	2,758
<i>Liabilities</i>		
Due to customers	5,925	5,925
Subordinated loans	1,650	4,500
<i>Tax balances</i>		
Current tax asset	885	488
Current tax liability	876	327
Deferred tax asset	734	522
Deferred tax liability	98	50
Tax on profit	104	(40)

Transactions conducted directly with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships.

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 those 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 Bank 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 27 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 Bank received an indemnity from the Dutch State for this exposure.

Since August 2009, ABN AMRO Bank has had a EUR 34.5 billion risk mitigant, through a guarantee, with the Dutch State uses to reduce the credit risk on a part of the Dutch residential mortgage portfolio.

29 Post balance sheet events

Legal merger

On 1 July 2010, ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. legally merged and started operating as a single bank under the name ABN AMRO Bank N.V. ABN AMRO Group N.V., the parent company and group company of ABN AMRO Bank N.V., assigned non-cumulative preference shares in its share capital to ABN AMRO Preferred Investments B.V. ABN AMRO Preferred Investments B.V. (previously called Fortis FBN(H) Preferred Investments B.V.) was the holder of the non-cumulative preference shares A in the share capital of Fortis Bank (Nederland) N.V. Fortis Bank (Nederland) N.V. ceased to exist on the merger date. This also meant that all branches and subsidiaries of Fortis Bank Nederland became branches and subsidiaries of ABN AMRO Bank. As of 1 July, ABN AMRO Group N.V., the parent company and group company of ABN AMRO Bank N.V., also assigned non-cumulative preference shares in its share capital to Fortis FBN(H) Preferred Investments B.V. Fortis FBN(H) Preferred Investments B.V. was the holder of the non-cumulative preference shares A in the share capital of Fortis Bank (Nederland) N.V.

The composition of the Managing Board and Supervisory Board of ABN AMRO Group and ABN AMRO Bank has remained unchanged.

ABN AMRO Preferred Investments

In connection with the legal merger, 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. These preference shares were issued for a total amount of EUR 210 million.

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 this entity. In addition, ABN AMRO Preferred Investments B.V. has a minority share in ABN AMRO Group.

EC decision on call option to early redeem a subordinated note (FCC)

On 16 August 2010, it was announced that the European Commission had as a matter of exception approved the call of the FCC Securities. Due to the existence of a dividend pusher clause in the documentation of the FCC Securities linked to dividend payments made by Ageas N.V. and Ageas SA/NV, entities outside the control of ABN AMRO Bank, the Dutch central bank (De Nederlandsche Bank, "DNB") had taken the view that from a regulatory perspective the FCC Securities should be reclassified from Tier-1 capital to Tier-2 capital as of 1 July 2010. In order to prevent the Capital Securities from being reclassified to Tier 2, ABN AMRO Bank decided to call for redemption of all outstanding FCC Securities on the next dividend payment date of 29 September 2010.

As ABN AMRO Bank is a bank subject to state aid investigation, ABN AMRO Bank and its subsidiaries are required to consult the European Commission in order to redeem capital instruments prior to legal maturity or to pay coupons. The European Commission had as a matter of exception determined that the request for early redemption of the FCC Securities could be reconciled with state aid rules, as it prevents the loss of Tier 1 capital.

The European Commission also stated that Hybrid Tier 1 and Tier 2 instruments issued by ABN AMRO Group and its wholly-owned subsidiaries are subject to a ban on payments of coupons unless there is a legal obligation to make such payments, as well as a call restriction, similar to other financial institutions involved in state aid proceedings. This ban is for a limited period up to and including 13 March 2013.

Summary of significant accounting policies

This forms an integral part of the condensed consolidated interim financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying ABN AMRO's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

Critical accounting estimates and assumptions

ABN AMRO makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill

ABN AMRO tests for each reporting period, or more frequently whether goodwill has suffered any impairment, in accordance with the accounting policies. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Allowance for loan losses

Allowances for loan losses are made for losses in outstanding loans for which there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowance 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 grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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. Though we consider the allowances for loan losses to be adequate, 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

There is little subjectivity in the determination of the fair value of financial instruments that are actively traded and for which quoted market prices or market parameters are readily available. However, when observable market prices and parameters do not exist, management's judgement is necessary in order to estimate fair value.

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 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, such as the events in the US sub-prime residential mortgage market. In such cases, observable market data may become less reliable or disappear altogether. If there is any doubt about 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.

Pension and post-retirement benefits

Significant pension and post-retirement benefit costs are based on actuarial calculations. Some assumptions are inherent within these calculations, 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 financial year. 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.

Tax – Current and Deferred

ABN AMRO is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

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 or events since initial recognition of the asset on reclassification into available-for-sale from trading have adversely affected the amount or timing of future cash flows from the assets.

Significant management judgement is involved where the determination of future cash flows requires consideration of a number of variables, some of which may be unobservable in current market conditions. This is the case for more complex instruments such as asset backed securities, where factors such as the estimated cash flows on underlying pools of collateral and changes in national or local conditions that correlate with defaults on the assets are considered.

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 judgment. 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.

Basis of consolidation

The condensed interim financial statements include the parent company and its controlled subsidiaries. Subsidiaries are included using the same reporting period and consistent accounting policies. Intra-group 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. 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 noncontrolling 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 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 unless they relate to the issuance of debt or equity securities, in which case they are accounted for under IAS 39, "Financial Instruments: Recognition and Measurement". The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) 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 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. Other 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.

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. 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 transactions

For individual entities of ABN AMRO, foreign currency transactions are accounted for using the exchange rate at the date of the transaction (or valuation when items are remeasured). Outstanding balances in foreign currencies at year end are translated at year-end exchange rates for monetary items. Translation of non-monetary items depends on whether the non-monetary items are carried at historical cost or at fair value. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction (no remeasurement). Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined. The resulting exchange differences are recorded in the income statement as foreign currency gains (losses), except for those non-monetary items whose fair value change is recorded in equity. The distinction between exchange differences (recognised in the income statement) and unrealised fair value results (recognised in equity) on available-for-sale financial assets is determined according to the following rules:

- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency
- the unrealised (fair value) results are determined based on the difference between the balances in euros of the previous and the new period, converted at the new exchange rate.

Foreign currency translation

On consolidation, the income statement and cash flow statement of entities whose functional currency is not denominated in euros are translated into the presentation currency of ABN AMRO (euros), at the exchange rate at the date of the transaction and their balance sheets are translated using the exchange rates prevailing at the balance sheet date. Translation exchange differences are recognised in equity under the heading 'currency translation reserve'. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale. 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the balance sheet date. All resulting differences are recognised in equity under the heading 'currency translation reserve' until disposal of the foreign entity when a recycling to the income statement takes place.

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.

Trade and settlement date

All purchases and sales of financial assets requiring delivery within the timeframe established by regulation or market convention are recognised on the trade date, which is the date when ABN AMRO becomes a party to the contractual provisions of the financial assets.

Forward purchases and sales other than those requiring delivery within the timeframe established by regulation or market convention are recognised as derivative forward transactions until settlement.

Interest income and expenses

Interest income and expense is recognised in the income statement using the effective interest rate method. The application of this 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. Income from debt and other fixed-income instruments is recognised using the effective interest method in interest income.

Fee and commission income

Fees as integral part of effective interest rate

Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. This is the case for origination fees, received as compensation for activities such as evaluating the borrower's financial condition and evaluating and recording guarantees, and also for origination fees received on issuing financial liabilities measured at amortised cost. Both types of fees are deferred and recognised as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

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.

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 derivative 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 certain 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.

Financial assets

Financial assets can be classified as assets held for trading, investments, due from banks and due from customers.

The measurement and income recognition in the income statement depend on the IFRS classification of the financial assets, i.e.: (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 IFRS classification determines the measurement and recognition as follows:

- Loans and receivables are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation in the income statement.
- Held-to-maturity investments consist of instruments 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
 - financial assets that ABN AMRO has irrevocably designated at initial recognition or first time adoption of IFRS as held at fair value through profit or loss, because:
 - ◆ the host contract includes an embedded derivative that would otherwise require separation;
 - ◆ it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch'); this includes derivative instruments that do not qualify for hedge accounting, recognised in 'Other Assets';
 - ◆ 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. Available-for-sale financial assets are initially measured at fair value (including transaction costs), and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in equity. For impaired available-for-sale assets, unrealised losses previously recognised in equity are transferred to the income statement when the impairment occurs.

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 IFRS classification of the financial liabilities, i.e.: (a) financial liabilities at fair value through profit or loss, and (b) other financial liabilities. This IFRS 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 or first time adoption of IFRS as held at fair value through profit or loss, because:
 - ◆ the host contract includes an embedded derivative that would otherwise require separation;
 - ◆ it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') ; this includes derivative instruments that do not qualify for hedge accounting, included in 'Other Liabilities';
 - ◆ 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 recognised 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.

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 derivative (except for a derivative that is a designated and effective hedging instrument)

Assets and liabilities held for trading are initially recognised at cost and subsequently measured at fair value through profit or loss. The (realised and unrealised) results, the interest received (paid), dividends received on assets (liabilities) held for trading are reported as 'Net Trading income'.

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, 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 securitises 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.

A financial liability is derecognised when the obligations specified in the contract are discharged, cancelled or expire. 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.

Financial guarantees

Financial guarantee contracts are 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, in accordance with the terms of a debt instrument. Such financial guarantees 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.

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 while they are held or issued. Financial instruments designated at fair value through income 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 income category if certain requirements are met. No financial instrument is reclassified into the fair value through income category after initial recognition.

Measurement

All trading instruments and financial assets and liabilities designated at fair value 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

All derivatives are recorded in the balance sheet at fair value with changes recorded through income except when designated in cash flow or net investment hedge relationship (see hedge accounting below).

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 cost including directly attributable incremental transaction costs. They are subsequently valued at amortised cost using the effective interest rate method.

Through 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.

Impairment of available-for-sale instruments

ABN AMRO performs a review of individual available-for-sale securities on a regular basis to determine whether any evidence of impairment exists. 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.

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.

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. Loans that are designated as held at fair value through profit or loss or available-for-sale are classified as such at initial recognition.

Professional securities 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.

Measurement

Incremental costs incurred and loan origination fees earned in securing a loan are deferred and amortised over the life of the loan as an adjustment to the yield.

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 of commercial clients every six or twelve months 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 are not included in a collective assessment of impairment. Indications that there is a measurable decrease in estimated future cash flows from a portfolio of loans, although the decrease cannot yet be identified with the individual loans in the portfolio, 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.

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. 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.

Following impairment, interest income is recognised using the original effective rate of interest. 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.

Hedge accounting

ABN AMRO uses derivative instruments to manage exposures to interest rate, foreign currency and credit risks, 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 represents the amount by which the changes in the fair value of the derivative are in excess of changes:

- in the fair value of the hedged item in a fair value hedge, or
- in the value of a net investment in a net investment in a foreign operation hedge, or
- in the fair value change of the expected cash flow in a cash flow 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.

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. 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. 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 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 euro are recognised directly in the currency translation account 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.

Adoption of EU carved out version of IAS 39

Under the EU adopted 'carved out' version of IAS 39 for specific identified portfolios, the impact of the changes in the estimates of the repricing dates is only considered ineffective if it leads to under hedging. Any hedge ineffectiveness is immediately recognised in the income statement. 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. This also applies 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. 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.

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 loans original effective interest rate.

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

Own use assets

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.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation. ABN AMRO may also use certain investment properties for its own use. If the own use portions can be sold separately or leased out separately under a finance lease, these portions are accounted for as property and equipment. If the own use portions cannot be sold separately, the property is treated as investment property only if ABN AMRO holds an insignificant portion for its own use.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life. The residual value and the useful life of investment property are determined for each significant part separately (component approach) and are reviewed at each year-end.

ABN AMRO rents its investment property under various non-cancellable rental contracts. Certain contracts contain renewal options for various periods of time; the rental income associated with these contracts is recognised on a straight-line basis over the rental term as investment income.

Transfers to, or from, investment property are only made when there is a change of use:

- into investment property at the end of owner-occupation, or at the start of an operating lease to another party;
- out of investment property at the commencement of owner-occupation.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. When it is

probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Intangible assets

Goodwill

Goodwill is capitalised and stated at cost, being the excess of the cost of an acquisition 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 maximum of five 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 lives of the intangible asset. 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 any such 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, and 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. 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 cost expectations.

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 plans are generally funded through payments to insurance companies or trustee administered plans, determined by periodic actuarial calculations. Qualified actuaries calculate the pension assets and liabilities at least annually.

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 of the year are 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 amendments. 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. Pension costs are charged to the income statement to spread the pension costs over the service lives of employees.

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.

Differences between pension costs and the contributions payable are accounted for as provisions or prepayments. Commitments relating to early retirement of employees are treated as pension commitments.

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 a 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 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 future benefit 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.

Tax – current and deferred

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. 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 these losses can be utilised.

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 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 statement of financial position date.

Deferred tax liabilities are recognised for all taxable temporary differences, except in the following cases: where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in the following cases: where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 directors 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 account 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 fair value changes on financial instruments in a fair value hedge relation. When the relevant assets are sold, impaired 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 of cash on hand, freely available balances with central banks, net credit balances on current accounts with other banks and other non-derivative financial instruments, subject to an insignificant risk of changes in value, with less than three months maturity from the date of acquisition.

ABN AMRO reports cash flows from operating activities using the indirect method, whereby the net result is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest received and interest paid is presented as cash flows from operating activities in the cash flow statement. Dividends received are classified as cash flows from operating activities. Dividends paid are classified as cash flows from financing activities.

Review report

Introduction

We have reviewed the accompanying condensed interim financial statements for the six months period ended 30 June 2010, of ABN AMRO Group N.V., Amsterdam, included on page 43 to page 103, which comprises the condensed consolidated statement of financial position as at 30 June 2010, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the selected explanatory notes for the six months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The condensed interim financial statements for the six months period ended 30 June 2009 are unreviewed. The amounts included for comparative purposes in the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows, and the selected explanatory notes thereto, have therefore not been reviewed.

Scope of Review

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 25 August 2010
KPMG ACCOUNTANTS N.V.
D. Korf RA