IR / Press Release

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ABN AMRO Group reports further improvement of its results: underlying profit of EUR 768 million in first nine months 2010

Reported net result in the first nine months of 2010 was a loss of EUR 627 million, due to the sale of the EC Remedy (sale of part of Dutch commercial bank) and separation, integration and restructuring costs (2009 reported net profit: EUR 352 million)

- **Underlying net profit, which excludes the sale of the EC Remedy and separation, integration and restructuring costs, of EUR 768 million (2009 underlying net profit: EUR 202 million)**
- **This increase was driven by higher net interest income, lower impairments and a gain on the buyback of own debt of EUR 130 million net of tax**
- **Improvement of underlying cost/income ratio to 70% (2009: 74%)**
- **At 30 September 2010, pro forma combined core Tier 1, Tier 1 and total capital ratio under Basel II were 10.1%, 12.6% and 16.6% respectively**
- **Reported third quarter 2010 net profit of EUR 341 million; underlying third quarter 2010 net profit of EUR 443 million and includes a gain on the buyback of own debt**
- **Integration is well on track**

Gerrit Zalm, Chairman of ABN AMRO Group comments:

"ABN AMRO Bank and Fortis Bank Nederland merged on 1 July 2010. It is very encouraging to see the positive reactions so far from staff and customers alike. Employees are eager to build a new bank and have shown unflagging commitment, despite the challenging times they have gone through. The heightened focus on customers has resulted in a decentralisation of responsibilities, simplification of the product offering and improved communication with our customers.

The underlying net profit for the first nine months - which excludes separation and integration related items, including the sale of the EC Remedy - more than tripled to EUR 768 million (2009: EUR 202 million). ABN AMRO is well on its way to improve the reported and underlying profitability of the bank as synergies will start to emerge from now on and integration costs will start to decline.

The integration is well on track. The merger of 150 of the 650 branches into 500 branches was finalised in early July, and by mid-November the client data of over one million Fortis Bank Nederland retail customers have been successfully transferred to the IT platform of ABN AMRO Bank during a series of five weekends. Customers have experienced minimal disruption and customer satisfaction continues to be slightly higher than in 2009. Although the integration process will not be finalised until 2012, the steps taken so far have been successful."

Income statement of ABN AMRO Group

(in millions euros)	*Nine months 2010*	*Nine months 2009*	*% change*
Underlying results			
Net interest income	3,671	3,132	17%
Non-interest income	1,982	1,963	1%
Operating income	**5,653**	**5,095**	11%
Operating expenses	**3,943**	**3,766**	5%
Loan impairments	580	1,098	-47%
Profit / (loss) before taxation	**1,130**	**231**	389%
Income tax expense	362	29	1,148%
Underlying profit / (loss) for the period	**768**	**202**	280%
Adjustment from separation/integration	-1,395	150	
Reported profit /(loss) for the period	**-627**	**352**	
Assets Under Management (in billion euros)	161.0	148.5	
Underlying cost/income ratio	70%	74%	
FTEs	27,396	30,512	

With the release of the first-half 2010 results it was announced that the reported figures were impacted by several items which are related to the separation of ABN AMRO Bank from RBS N.V. and Fortis Bank Nederland from BNP Paribas Fortis (former Fortis Bank SA/NV) and the integration of ABN AMRO Bank and Fortis Bank Nederland. For a better understanding of the underlying trends, the 2009 and 2010 figures have been adjusted for these items. The analysis presented below is based on the underlying results. For further details on reported figures and amendments made, please refer to Annex 1.

ABN AMRO is organised into two business segments and a support segment: Retail & Private Banking; Commercial & Merchant Banking; Other (Group Functions).

Retail & Private Banking consists of Retail Banking Nederland and Private Banking in the Netherlands and a select number of countries in Europe and Asia.

Commercial & Merchant Banking is organised along five business activities: 1. Business Banking (clients with turnover up to EUR 30 million); 2. Corporate Clients (clients with turnover of EUR 30-500 million); 3. Large Corporates & Merchant Banking (LC&MB, clients with turnover exceeding EUR 500 million); 4. Markets; 5. Marketing & Products.

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

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

Certain figures in this document may not add up due to rounding. In addition, certain percentages in this document have been calculated using rounded figures. Please also note that due to the integration, the current segmentation of reporting is still subject to change.

Underlying results first nine months 2010

The profit for the first nine months of 2010 more than tripled to EUR 768 million (2009: EUR 202 million). The profit for the period rose due a significant increase in the profitability of Retail & Private Banking, a higher profit at Commercial & Merchant Banking and an improved, though still negative, result from Other (Group Functions).

- Operating income was 11% higher year-on-year, due to a 17% increase in net interest income and a 1% increase in non-interest income.

  Operating income of Retail & Private Banking advanced by 13% year-on-year. The trend of improved margins on savings deposits, seen in the first half of 2010, continued. Margins recovered from the low levels seen at the end of 2009 as fixed-rate deposits with a high interest rate as a result of tight market circumstances matured and were replaced by short-term variable-rate deposits, which have a lower interest rate. Total customer deposits were higher year-on-year. The volume of the mortgage portfolio remained fairly stable while margins improved. ABN AMRO is the third largest mortgage provider in the Netherlands. Non-interest income benefited from higher commissions and higher Assets under Management (AuM) of Private Banking[1].

  Operating income of Commercial & Merchant Banking was 10% higher year-on-year as the loan portfolio increased modestly while margins increased slightly. The volume of customer deposits was slightly lower year-on-year, but margins recovered following a similar trend to the one seen in Retail & Private Banking. Merchant Banking benefited from higher valuations and a successful exit within the Private Equity portfolio. Markets recorded lower income as volatile market conditions reduced clients' risk appetite. This was partly offset by higher revenues from ABN AMRO Clearing (previously called Brokerage, Brokerage, Clearing & Custody).

  Operating income of the segment Other (Group Functions) decreased by 17% year-on-year, due to a lower contribution from the divested activities (EC Remedy and Intertrust) and higher fees and interest costs paid to the Dutch State on a credit relief instrument and the EUR 2.6 billion of mandatory convertible securities held by the Dutch State. The decline in operating income was partly offset by a gain on the buyback of subordinated debt (EUR 175 million pre-tax).

- Operating expenses increased by 5% year-on-year due to several large additions to the legal provision (total EUR 265 million), as reported in the first-half 2010 results, relating to international activities conducted in the past. Excluding these additions, operating expenses would have decreased by 2%. The decline reflects continued cost containment aimed at structurally lowering ABN AMRO's cost base and the divestment of the EC Remedy and Intertrust activities. Benefits resulting from the merger of the two banks will only start to become material as from 2011 onwards.

  Operating expenses of Retail & Private Banking decreased by 3% due to continued cost containment and a 7% reduction in staff.

  Operating expenses of Commercial & Merchant Banking were up 28%, due mainly to additions to the legal provision in the first six months, the buyback of the US clearing activities and the start-up of several activities designed to rebuild both the product offering and the international network for servicing Dutch clients, Energy Commodities & Transportation and ABN AMRO Clearing (previously called Brokerage, Clearing and Custody).

- The cost/income ratio improved to 70% (2009: 74%). Excluding the additions to the legal provision and the gain on the buyback of own debt (both recorded in 2010), the cost/income ratio would have improved to 67%.

- Loan impairments decreased by 47% year-on-year, predominantly reflecting the improvement of the Dutch economy. Loan impairments in Retail & Private Banking decreased significantly, mainly in Private Banking International and International Diamond & Jewelry Group. Loan impairments on the mortgage portfolio, which is approximately 58% of the total loan portfolio, were marginally lower. Commercial & Merchant Banking recorded significantly lower loan impairments in Large Corporates & Merchant Banking and Business Banking. Although the level of loan loss provisioning in the third quarter was lower than expected, ABN AMRO expects the level of loan impairments to be somewhat higher in the remainder of the year, in line with historical trends.

- The total number of full-time equivalents (FTEs) decreased by 10%, or 3,116, to 27,396. This decline was due to outflow of staff ahead of the integration (1,085) and the divested activities (EC Remedy and Intertrust) (total of 2,032).

[1] AuM include assets of French activities (EUR 4.0 billion) previously not included.

Balance sheet

(in millions euros)	30 September 2010	31 December 2009
Assets		
Cash and cash equivalents	1,038	4,368
Financial assets held for trading	26,091	20,342
Financial investments	20,250	20,763
Loans and receivables banks	45,397	46,485
Loans and receivables customers	280,365	279,306
Other assets	18,198	15,252
Total assets	**391,339**	**386,516**
Liabilities		
Financial liabilities held for trading	23,390	26,951
Due to banks	28,968	43,095
Due to customers	210,802	205,040
Issued debt	84,209	70,837
Subordinated liabilities	8,106	11,747
Other liabilities	24,193	19,848
Total liabilities	**379,668**	**377,518**
Equity attributable to shareholders of the parent company	**11,658**	**8,776**
Non-controlling interests	13	222
Total equity	**11,671**	**8,998**
Total liabilities and equity	**391,339**	**386,516**

Total assets rose by EUR 4.8 billion, from EUR 386.5 billion at 31 December 2009 to EUR 391.3 billion at 30 September 2010. Adjusted for the EC Remedy divestment, total assets increased by EUR 16.4 billion.

Cash and cash equivalents at central banks decreased by EUR 3.3 billion. This was due mainly to the reduction of the cash component within the liquidity buffer.

Financial assets held for trading increased by EUR 5.7 billion as a result of revaluations of derivates and activities of Commercial & Merchant Banking, partly offset by the divestment of the EC Remedy.

Loans and receivables customers increased by EUR 1.1 billion. Adjusted for the divestment of the EC Remedy, Loans and receivables customers grew by EUR 11.6 billion, mainly as a result of growth in the commercial loan portfolio and repurchase agreements of Commercial & Merchant Banking. The majority of Loans and receivables customers are residential mortgages, mainly Dutch, amounting to EUR 161.3 billion at the end of September 2010, unchanged compared to the end of 2009.

Due to banks decreased by EUR 14.1 billion as the ECB funding was significantly reduced and short-term bank funding was replaced by longer-term wholesale funding.

Due to customers increased by EUR 5.8 billion. Excluding the EC Remedy, Due to customers went up by EUR 13.9 billion due predominantly to an increase in repurchase agreements, securities lending and customer deposits.

Issued debt showed an increase of EUR 13.4 billion, driven by continued financing initiatives undertaken to further lengthen maturities of wholesale funding and prudent liquidity management.

Subordinated liabilities decreased by EUR 3.6 billion, as a result of the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into Equity. These conversions were part of the capital actions taken by the Dutch State, announced in November 2009. In addition, GBP 600 million of a perpetual subordinated loan (upper Tier 2) was tendered and the remainder of the EUR 87.5 million in outstanding securities of ABN AMRO Capital Finance Limited (previously called Fortis Capital Company Limited or FCC), a subsidiary of ABN AMRO, was called for redemption.

Shareholders equity increased by EUR 2.9 billion to EUR 11.7 billion. This was primarily the result of the conversions of EUR 2.6 billion of mandatory convertible securities held by the Dutch State into Equity, the remaining capital injection by the Dutch State of EUR 490 million (part of the 2009 capital actions taken by the Dutch State), the replacement of EUR 210 million of preference shares of Former Fortis Bank Nederland by ABN AMRO Group and the result over the first nine months of 2010 of EUR 627 million negative.

Capital and solvency

As shown in the table below, ABN AMRO continues to be adequately capitalised and the capital ratios are well above the regulatory minimums.

(in billion euros)	30 September 2010	30 June 2010
IFRS equity	11.7	11.4
Tier 1 capital	15.0	14.8
Regulatory capital	19.7	20.4
Basel II Risk Weighted Assets	118.8	120.1
Core tier 1 ratio	10.1%	9.8%
Tier 1 ratio	12.6%	12.3%
Total capital ratio	16.6%	17.0%

The change in the third quarter 2010 risk-weighted assets (RWA) compared to the second quarter relates predominantly to credit risk model updates and the Basel II roll-out. The change in capital is mainly the result of the result for the period and the capital transactions taken (as described below). Core Tier 1 ratio is defined as Tier 1 capital excluding all hybrid capital instruments divided by RWA.

On 1 July 2010, in connection with the legal merger, ABN AMRO Group assigned EUR 210 million of non-cumulative preference shares in its share capital to ABN AMRO Preferred Investments B.V. (previously called Fortis FBN(H) Preferred Investments B.V.) to replace the non-cumulative preference shares A in the share capital of former Fortis Bank Nederland previously held.

In August and September 2010, the following capital transactions were concluded as ABN AMRO:

- accepted GBP 600 million of the GBP 750 million perpetual subordinated (upper Tier 2) notes in a tender offer. The tender and a release relating to the hedging of this instrument resulted in a pre-tax profit of EUR 175 million, and a decrease of Tier 2 capital of EUR 693 million;
- called the remainder of the EUR 87.5 million in outstanding securities of ABN AMRO Capital Finance Limited (previously called Fortis Capital Company Limited or FCC), a subsidiary of ABN AMRO, for redemption following the reclassification to Tier 2 capital from Tier 1 capital as from 1 July 2010.

Prior to the transfer of Fortis Bank Nederland and ABN AMRO Bank to ABN AMRO Group, both banks reported regulatory capital under different regimes. Fortis Bank Nederland reported its regulatory capital under Basel II and ABN AMRO Bank reported its regulatory capital under Basel I. As from 1 April 2010, ABN AMRO Bank also reports under Basel II. Consolidated capital ratios are not available for the combined bank for the period before 1 April 2010. Until completion of the harmonisation, the reported Basel II capital ratios are combined pro forma capital ratios based on consolidated IFRS equity.

ABN AMRO carefully monitors the new regulatory developments like Basel III. Based upon the current preliminary guidelines of Basel III and the quality of ABN AMRO's capital basis, ABN AMRO is relatively well positioned for Basel III.

Funding and liquidity

In the first nine months of 2010, EUR 22.1 billion of long-term funding was raised to refinance and further lengthen maturities in wholesale funding while decreasing funding with shorter maturities. In addition, all government-guaranteed commercial paper issued in 2009 matured. Rebalancing of the funding mix further improved the bank’s funding profile. Furthermore, ABN AMRO reduced the amount drawn under the ECB 2009 tenders to EUR 5 billion on 30 September 2010 from EUR 13 billion at year-end 2009. The loan-to-deposit ratio at the end of September increased to 133% from 130% at the end of 2009[2].

Update on Capital since 1 October 2010

Update EUR 2 billion MCS
Certain Mandatory Convertible Securities (MCS) note holders have sought a legal declaration in Court to the effect that the general meeting of MCS note holders has the power to unilaterally postpone the maturity date of the MCS. ABN AMRO denies such power and is confident about the positive outcome of the legal proceedings. An injunction was obtained on 8 November to the effect that all outstanding Mandatory Convertible Securities (MCS) will be mandatorily converted into Ageas shares on 7 December 2010.

Update Capital Relief Instrument
ABN AMRO terminated a Capital Relief Instrument (CRI), entered into with the Dutch State in July 2009 in order to reduce the bank's risk-weighted assets, as of 31 October 2010. The CRI, whereby the Dutch State assumed the credit risk on a EUR 34.5 billion high-quality Dutch residential mortgage portfolio, was agreed in preparation of the separation of the Dutch State-acquired businesses from ABN AMRO Holding. Under Basel II the CRI is no longer cost-effective. The annual fee for the CRI was EUR 169 million (pre-tax).

Update USD 250 million 7.75% subordinated lower Tier 2 notes 2023
The USD 250 million lower Tier 2 notes, while economically allocated to ABN AMRO, remain a legal obligation of RBS N.V. until their intended transfer to ABN AMRO before 30 June 2011. These notes could not be transferred to ABN AMRO as part of the Dutch legal demerger process, because they are governed by US law.

[2] Methodology refinements have been made to the calculation of the loan-to-deposit ratio and the increase to 133% is for two percentage points caused by the methodology adjustment in the third quarter of 2010.

Update on the integration

On 1 July, the effective date of the legal merger, a major rebranding exercise took place where the Fortis Bank Nederland name was rebranded to ABN AMRO.

On 6 July, ABN AMRO completed the merger of the 150 branches of the retail network in the Netherlands. To secure a controlled transition for Fortis Bank Nederland customers, branches will remain "two-in-one" until the technical migration is completed at the end of this year. This way, 1.6 million Fortis Bank Nederland customers will have access to their trusted bank staff during the migration process. The technical customer migration process, which started in August, will take place in seven clusters varying in size and complexity. The total number of migrated retail customers reached over one million on 15 November, and the technical customer migration is expected to be completed by the end of the year. Thorough preparation of the technical migration process ensured a smooth migration of these first one million customers, without any significant problems. The migration of commercial and private clients is planned for 2011 and 2012.

In early September, ABN AMRO and the trade unions reached an agreement on a new collective labour agreement (CLA) for all employees of the bank. On 5 November, it was announced that around three quarters of the union members voted in favour of the CLA, although a small majority of former Fortis Bank Nederland employees did not vote in favour of the agreement. The dialogue with the trade unions will be continued. The trade unions have indicated that they intend to resolve the problems identified and remove all obstacles to signing an agreement.

The number of employees who know whether they will keep their jobs as a result of the integration continues to increase. We aim to inform 70% of the entire workforce whether they will have a job in the new organisation by the end of this year. The overriding theme of the integration is "from job to job". A job advisor is appointed to every employee who has not been assigned a new job in order to assist them in finding a new job, either within the bank or outside. Early indications show that the number of people who have been able to find a new role is increasing.

The new positioning for the ABN AMRO brand in the Netherlands was presented at the end of September. The central positioning theme is 'today's bank'. The first television commercials and advertisements, based on the new positioning, were launched on 25 September.

With the opening of three Commercial Banking units in Paris, Frankfurt and Antwerp in the third quarter, ABN AMRO made good progress in re-establishing the bank's international network for Dutch commercial clients.

Update on separation

Most of the services and separation projects from BNP Paribas Fortis (the former Fortis Bank SA/NV), ASR Nederland, Amlin Corporate Insurance (former Fortis Corporate Insurance), RBS N.V. and Deutsche Bank have been completed.

Update since 1 October 2010

On 10 May 2010, Fortis Bank Nederland announced that an agreement on the sale of Prime Fund Solutions (PFS) to Credit Suisse had been signed. Closing of the transaction is subject to satisfaction of the closing conditions, now anticipated in the first half of 2011. No significant impact on results and capital position is expected.

Discussions with the European Commission on the state aid investigation are still on-going.

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Annex 1:

As announced with the first-half 2010 results, the reported figures were impacted by several items related to the separation of ABN AMRO Bank from RBS N.V. and Fortis Bank Nederland from BNP Paribas Fortis (former Fortis Bank SA/NV) and the integration of ABN AMRO Bank and Fortis Bank Nederland. For a better understanding of the underlying trends, the 2009 and 2010 figures have been adjusted for these items.

The following adjustments were made to the 2010 figures: (i) the transaction result on the closing of the sale of NEW HBU II N.V. and IFN Finance B.V. (together the EC Remedy), (ii) a restructuring provision related to the integration, and (iii) integration and separation costs. The adjustments made to the 2009 figures are (i) an exceptional result following the FCC settlement (ABN AMRO Capital Finance Ltd, previously named Fortis Capital Company Ltd) and (ii) integration and separation costs.

The analysis presented on pages 2 and 3 is based on the underlying figures.

(in millions euros)	*Nine months 2010 Reported*	*Separation/ integration adjustments*	*Nine months 2010 Underlying*	*Nine months 2009 Reported*	*Separation/ integration adjustments*	*Nine months 2009 Underlying*	*% change Y-o-Y underlying*
Net interest income	3,671		3,671	3,132		3,132	17%
Non-interest income	1,170	-812	1,982	2,326	363	1,963	1%
Operating income	**4,841**	**-812**	**5,653**	**5,458**	**363**	**5,095**	11%
Operating expenses	**4,726**	**-783**	**3,943**	**3,928**	**-162**	**3,766**	5%
Loan impairments	580		580	1,098		1,098	-47%
Profit / (loss) before taxation	**-465**	**-1,595**	**1,130**	**432**	**201**	**231**	389%
Income tax expense	162	200	362	80	51	29	1,148%
Profit / (loss) for the period	**-627**	**-1,395**	**768**	**352**	**150**	**202**	280%
Assets Under Management (in billion euros)	161.0		161.0	148.5		148.5	
Cost/income ratio	98%		70%	72%		74%	
Risk Weighted Assets	118,795		118,795	n.a.		n.a.	
FTEs	27,396		27,396	30,512		30,512	

Cautionary statement on forward-looking statements

We have included into this press release, and from time to time may make in our 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 Group’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 Group’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

Other factors that could cause actual results to differ materially from those 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 Group in particular;
- the effect on ABN AMRO Group ’s capital of write downs in respect of credit exposures;
- risks related to ABN AMRO Group’s merger, separation and integration process;
- general economic 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 Group '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-20 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 Group in managing the risks involved in the foregoing.

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