

ABN AMRO HOLDING N V
Form 20-F
March 26, 2010

As filed with the Securities and Exchange Commission on 26 March 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended 31 December 2009

OR

- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 1-14624

ABN AMRO HOLDING N.V.
(Exact name of registrant as specified in its charter)
THE NETHERLANDS
(Jurisdiction of incorporation or organisation)
Gustav Mahlerlaan 10, 1082 PP Amsterdam
The Netherlands
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Guarantee of 5.90% Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust V	New York Stock Exchange*
Guarantee of 6.25% Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VI	New York Stock Exchange**
Guarantee of 6.08% Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VII	New York Stock Exchange***
5.90% Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust V	New York Stock Exchange
6.25% Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VI	New York Stock Exchange
6.08% Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital VII	New York Stock Exchange
Leveraged CPI Linked Securities due January 13, 2020	NYSE Arca
Structured Hybrid Equity Linked Securities (SHIELDS) due January 16, 2014 linked to the S&P 500 Index	NYSE Arca

*The guarantee is not listed for trading, but is listed only in connection with the registration of the corresponding Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust V.

**The guarantee is not listed for trading, but is listed only in connection with the registration of the corresponding Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VI.

***The guarantee is not listed for trading, but is listed only in connection with the registration of the corresponding Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VII.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Title of Class	Number of Shares Outstanding
Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust V	51,400,000
Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VI	8,000,000
Non-cumulative Guaranteed Trust Preferred Securities of RBS Capital Trust VII	72,000,000

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x

No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o

No x

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Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ x

No ☐ o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ o

No ☐ o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ o

Accelerated filer ☐ o

Non-accelerated filer ☒ x

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ o

International Financial
Reporting Standards as issued
by the International Accounting
Standards Board ☒ x

Other ☐ o

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ o

Item 18 ☐ o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ o

No ☒ x

The information contained in this report is incorporated by reference into the registration statements on Form S-8 with Registration Nos. 333-74703, 333-81400, 333-84044, 333-127660, 333-128619, 333-128621, 333-140798, 333-145751 and 333-149577, and the registration statements on Form F-3 with Registration Nos. 333-162193 and 333-104778-01.

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SECTION 1 CHAIRMAN'S REVIEW

The year 2009 was marked by further preparations to legally separate the Dutch State acquired businesses from the residual RBS acquired businesses. This separation, which is planned to take place on 1 April 2010, marks one of the last steps of a carefully managed process to split up ABN AMRO. The separation also means a new starting point for two independent banks, the new ABN AMRO Bank N.V. and The Royal Bank of Scotland N.V. At the same time, 2009 was a year of economic uncertainty, requiring increased focus on business as usual in what still was a transitional year.

Results of operations in 2009

In a challenging business climate, ABN AMRO recorded a loss for the period of EUR 4,400 million comprising a loss after tax of EUR 4,499 million from continuing operations, partly offset by a gain after tax from discontinued operations of EUR 99 million. The loss for the period comprises a loss of EUR 4,168 million attributable to the RBS acquired businesses, a loss of EUR 117 million attributable to the Dutch State acquired businesses and a loss of EUR 214 million attributable to Central Items.

The loss for the RBS acquired businesses was significantly lower than the loss reported in 2008 predominantly due to improvements in net trading income, where the business did not experience the large losses on trading counterparties as seen in 2008. Business activities continued to be transferred to the RBS Group causing realisation of losses on these transfers. The loss for the Dutch State acquired businesses is mainly due to lower interest margins, higher loan impairments reflecting the deterioration of the economic climate, higher deposit guarantee scheme charges, and separation and restructuring costs. The loss for Central Items is mainly reflecting the impact of ongoing ramp down activities within this segment.

Separation

ABN AMRO filed the legal demerger documentation with the Amsterdam Chamber of Commerce on 30 September 2009 and confirmed at the beginning of November 2009 that the creditor objection period had successfully ended with no objections filed. On 6 February 2010, the majority of the businesses acquired by the Dutch State were legally demerged from the RBS acquired businesses included in ABN AMRO.

As a result, there are now two separate banks within ABN AMRO Holding, The Royal Bank of Scotland N.V. ('RBS N.V.') and a new entity named ABN AMRO Bank N.V. (the new 'ABN AMRO Bank'). RBS N.V. is the renamed former ABN AMRO Bank N.V., principally containing the activities acquired by the RBS Group comprising of international lending, international transaction services and equities businesses. The strategies and long term objectives of RBS N.V. will be aligned with those of the RBS Group. The new ABN AMRO Bank contains the activities acquired by the Dutch State, comprising Dutch commercial clients (SMEs and corporates), Dutch consumer clients, and Dutch and international private clients including the diamond businesses. The new ABN AMRO Bank and Fortis Bank (Nederland) N.V. will merge in the second half of the year and jointly will roll out a strategy for the combined bank.

Both entities are licensed separately by the Dutch Central Bank. Until final legal separation of the new ABN AMRO Bank from ABN AMRO Holding, which is planned to occur on 1 April 2010, ABN AMRO Holding and the two banks will continue to be governed by the same Managing Board and Supervisory Board as those of ABN AMRO Holding and regulated on a consolidated basis with capital ratios, liquidity measures and exposures being reported to and regulated by the Dutch Central Bank.

An important step that needed to be taken to enable the new ABN AMRO Bank and Fortis Bank (Nederland) N.V. to merge and integrate their activities in 2010 was the sale of part of the Dutch commercial clients' activities and selected regional branch offices and IFN Nederland B.V. to comply with the European Commission's requirements for

competition ('EC Remedy'). The sale agreement with Deutsche Bank AG was signed on 23 December 2009. The closing of the sale is expected to take place directly after the legal separation of the new ABN AMRO Bank from ABN AMRO Holding.

Capital

ABN AMRO continued to be well capitalised and exceeded the minimum tier 1 and total capital ratios of 9% and 12.5% respectively (under Basel I as set by the Dutch Central Bank during the transition period of ABN AMRO). The tier 1 ratio at the end of 2009 was 19.9% and the total capital ratio amounted to 25.5%. In 2009, ABN AMRO and its shareholder, RFS Holdings B.V., through which the Consortium Members participate in ABN AMRO Holding, took several capital actions, which were part of an agreed plan for the separation of the businesses, to ensure that at legal separation each individual bank is adequately capitalised with a sound liquidity position.

In 2009 and early 2010 several significant milestones were reached in the separation process, with the creation of two new banks, a transition process which is expected to be completed in 2010 with the legal separation.

On behalf of the Managing Board, I would like to thank all our employees and clients for their continued commitment during another eventful period.

Gerrit Zalm

Chairman of the Managing Board of ABN AMRO Holding N.V.

Amsterdam, 26 March 2010

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SECTION 2 INFORMATION ABOUT THE COMPANY

Filing

This document contains ABN AMRO's Annual Report 2009 and will also be filed as ABN AMRO's Annual Report 2009 on Form 20-F with the United States Securities and Exchange Commission ('SEC').

Certain definitions

Throughout this document, 'ABN AMRO Holding' means ABN AMRO Holding N.V. The term 'ABN AMRO' refers to ABN AMRO Holding and its consolidated subsidiaries. 'RBS N.V.' refers to the former ABN AMRO Bank N.V. which was renamed The Royal Bank of Scotland N.V. after the legal demerger. The term 'new ABN AMRO Bank' refers to the new entity named ABN AMRO Bank N.V. (previously named ABN AMRO II N.V.), and its consolidated subsidiaries, after the legal demerger. 'EUR' refers to euros, while 'USD' refers to US dollars.

The terms 'Consortium' and 'Consortium Members' refer to the banks The Royal Bank of Scotland Group plc ('RBS Group'), Fortis N.V. and Fortis SA/NV (together 'Fortis') and Banco Santander S.A. ('Santander') who jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ('RFS Holdings'). On 3 October 2008 the State of the Netherlands ('Dutch State') acquired Fortis Bank Nederland (Holding) N.V., including the interest in RFS Holdings that represents the acquired activities of ABN AMRO and effectively became the successor of Fortis in the Consortium Shareholder Agreement.

Furthermore, all references to ABN AMRO Bank N.V. (where it is clear from the context that such reference is not a reference to the new ABN AMRO Bank) shall be deemed to be a reference to RBS N.V.

Presentation of information

Unless otherwise indicated, the financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and IFRS as issued by the International Accounting Standards Board ('IASB') which vary in certain significant respects from accounting principles generally accepted in the United States ('US'), or 'US GAAP'.

All annual averages in this 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.

Cautionary statement on forward-looking statements

We have included or incorporated by reference into this report, 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', '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. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially. 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 transition and separation process;
- general economic conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities or investments, e.g. the United Kingdom and the United States, 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, the Board of Governors of the Federal Reserve System and other 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.

Factors that could also adversely affect ABN AMRO's results, the accuracy of forward-looking statements in this report and the factors discussed here and in the paragraphs 'Regulation and Supervision' and 'Risk factors' and elsewhere in this report should not be regarded as a complete set of all potential risks or uncertainties. ABN AMRO has economic, financial market, credit, legal and other specialists who monitor economic and market conditions and

government policies and actions. However, because it is difficult to predict with complete accuracy any changes in economic or market conditions or in governmental policies and actions, it is hard for ABN AMRO to anticipate the effects that such changes could have on ABN AMRO's financial performance and business operations. Accordingly, you are cautioned not to place undue reliance on forward-looking statements.

The forward-looking statements made in this report speak only as at the date of publication of this report. 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.

Information about the Company

Corporate Information

ABN AMRO Holding N.V. is the parent company of the ABN AMRO consolidated group of companies. ABN AMRO Holding is a public limited liability company, incorporated under Dutch law on 30 May 1990, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. ABN AMRO provides a broad range of financial services on a worldwide basis, including consumer, commercial and investment banking.

On 17 October 2007 RFS Holdings, a company incorporated, in the Netherlands, by the RBS Group, Fortis and Santander acquired 85.6% of ABN AMRO Holding. After the acquisition, ABN AMRO applied for de-listing of its ordinary shares from Euronext Amsterdam and the New York Stock Exchange. Through subsequent purchases RFS Holdings increased its stake in ABN AMRO to 99.3% as at 31 December 2007. The de-listing of the ABN AMRO Holding ordinary shares and the (formerly convertible) preference shares with a nominal value of €2.24 each from Euronext Amsterdam and the de-listing of its American Depositary Shares ('ADSs') from the New York Stock Exchange was effected on 25 April 2008. RFS Holdings started squeeze-out proceedings in order to acquire the remainder of the shares in ABN AMRO from minority shareholders and this procedure was completed on 22 September 2008. As a result in 2008 RFS Holdings became the sole shareholder of ABN AMRO Holding.

RFS Holdings is controlled by RBS Group, which is incorporated in the UK and registered at 36 St. Andrew Square, Edinburgh, Scotland. RBS Group is the ultimate parent company of ABN AMRO Holding.

On 3 October 2008, the Dutch State acquired all Fortis' businesses in The Netherlands, including the Fortis share in RFS Holdings. On 21 November 2008, the Dutch State announced its intention to integrate the Dutch State acquired businesses of ABN AMRO with Fortis Bank (Nederland) N.V. after completion of the legal demerger and legal separation processes, discussed within this report. On 24 December 2008, the Dutch State purchased from Fortis Bank Nederland (Holding) N.V. its investment in RFS Holdings, to become a direct shareholder in RFS Holdings.

Update on separation

On 6 February 2010 ABN AMRO successfully executed the deed of demerger in accordance with the demerger proposal filed with the Amsterdam Chamber of Commerce on 30 September 2009, thereby demerging the majority of the Dutch State acquired businesses into the new ABN AMRO Bank. Additionally, as part of the overall separation process, some subsidiaries and assets and liabilities were separately transferred to the new legal entity ahead of the execution of the legal demerger. Some further assets and liabilities were separately transferred to the new legal entity around the same time or shortly after the execution of the legal demerger.

Effective at the same date, the existing legal entity ABN AMRO Bank N.V., from which the Dutch State acquired businesses were demerged, was renamed The Royal Bank of Scotland N.V. ('RBS N.V.'). The legal entity into which the Dutch State acquired businesses were demerged was also renamed, from ABN AMRO II N.V. to ABN AMRO Bank N.V. ('new ABN AMRO Bank'). RBS N.V. and new ABN AMRO Bank are wholly owned by ABN AMRO Holding. The new ABN AMRO Bank is planned to be legally separated from ABN AMRO Holding on 1 April 2010.

From 6 February 2010 onwards, the name ABN AMRO Bank N.V. will be used by the separate legal entity (registered with the Dutch Chamber of Commerce under number 34334259), which will after legal separation from ABN AMRO Holding be owned by the Dutch State. Neither the new entity named ABN AMRO Bank nor the Dutch State guarantees the obligations under securities issued by RBS N.V. unless otherwise expressly stated in the terms and conditions of such securities. Similarly, RBS N.V. does not guarantee the obligations under securities issued by the new ABN AMRO Bank unless otherwise expressly stated in the terms and conditions of such securities.

The legal demerger represents the successful execution of the first step in a two step process chosen to effect the legal separation of the assets and liabilities acquired by the Dutch State. The second step, "legal separation", will result in the transfer of the shares of the new ABN AMRO Bank from ABN AMRO Holding to a

new holding company (ABN AMRO Group N.V.) fully owned by the Dutch State and independent of ABN AMRO Holding. After the legal separation, ABN AMRO Holding will be renamed RBS Holdings N.V.

Until legal separation, ABN AMRO will continue to be governed by ABN AMRO Holding's Managing Board and Supervisory Board and regulated on a consolidated basis with capital adequacy, liquidity measures and exposures being reported to and regulated by the Dutch Central Bank (De Nederlandsche Bank). Until legal separation, the Managing Board and Supervisory Board of RBS N.V. and of the new ABN AMRO Bank will be the same as the Managing and Supervisory Boards of ABN AMRO Holding.

RBS N.V. will, after the legal separation, become a majority owned subsidiary of ultimately RBS Group and will be an integral part of the RBS Group. It will principally contain international lending, international transaction services and equities businesses of the RBS Group. These activities will continue to be subject to Dutch Central Bank supervision and on a consolidated basis as part of the RBS Group be subject to UK Financial Services Authority supervision. Due to the change in the business and operating model of RBS N.V. compared to pre-acquisition ABN AMRO Bank N.V., a licence renewal was requested and granted by the Dutch Central Bank on 3 February 2010.

The majority of the businesses acquired by the Dutch State, consisting of the Dutch commercial and retail banking, Dutch and international private clients and diamond businesses, were transferred to the new ABN AMRO Bank at or shortly before the legal demerger. During the period between the legal demerger and legal separation a small 'tail' of predominantly international businesses will continue to be transferred to the new ABN AMRO Bank with a few minor businesses remaining to be transferred after legal separation. The exact timing of these transfers will be determined by, amongst other things, the granting of regulatory approvals in the countries in which the businesses operate. The new ABN AMRO Bank was granted a banking licence on 13 January 2010.

On 11 March 2010 a request for a Declaration of Non-Objection ('DNO') on the separation of ABN AMRO Bank N.V. from ABN AMRO Holding N.V. by means of sale to ABN AMRO Group N.V. was submitted to the Dutch Central Bank. This sale is planned to be executed on 1 April 2010.

The following diagram details the demerger and legal separation process in steps.

1. The part of the assets and liabilities that are not allocated to any of the Consortium Members, the so-called Shared Assets, are not included in this overview.
2. The structure shown represents the position after a transitional phase, during which the Dutch State and Santander will continue to hold a stake in RFS Holdings commensurate to their holding in remaining Shared Assets and any other businesses subject to later separation.

EC Remedy

RBS N.V.

On 26 November 2009, RBS Group and The Royal Bank of Scotland plc ('RBS plc') signed an accession agreement to the UK Government's Asset Protection Scheme ('APS'). This scheme also covers a pool of assets within the RBS acquired businesses in ABN AMRO Holding N.V. (the future RBS Holdings N.V.) to further strengthen the capital position and de-risk the earnings of the future RBS N.V. Group businesses.

On 26 November 2009, RBS Group also entered into a State Aid Commitment Deed with Her Majesty's Treasury ('HM Treasury') containing commitments and undertakings given by RBS Group to HM Treasury that are designed to ensure that HM Treasury is able to comply with the commitments given by it to the European Commission for the purpose of obtaining State aid approval.

As part of these commitments, and unless the European Commission agrees otherwise, the hybrid capital instruments existing on 24 November 2009 which are retained in the future RBS Holdings N.V. Group after separation is complete will be subject to a restriction on the payment of dividends and coupons and on the exercise of any call rights, unless in any such case there is a legal obligation to do so, for an effective period of two years after the proposed capital restructuring of RFS Holdings B.V. (which is intended to take place soon after separation) and following the expiry of any "pusher" periods (which will last for 12 months) following separation and such capital restructuring.

The new ABN AMRO Bank

To comply with the European Commission's requirements for competition, ABN AMRO and Deutsche Bank AG signed a Share Purchase Agreement on 23 December 2009 confirming the agreements reached for the sale of New HBU II N.V. ('New HBU II') and IFN Finance B.V. ('IFN Finance'). The sale price agreed for New HBU II and IFN Finance, including a guarantee provided for 75% of future credit losses ('credit umbrella') and an amount to cover other liabilities and costs, is EUR 700 million.

The closing of the New HBU II and IFN Finance transaction is planned to take place after legal separation according to the conditions of the agreement. ABN AMRO has considered the impact of the transaction on results and capital ratios and considers that the transaction will have a negative impact of between EUR 800 and EUR 900 million. This total loss includes a provision for the expected cost of the credit umbrella. The new ABN AMRO Bank expects to account for these losses when, after legal separation, the conditions for effecting the closing have been met.

Organisational Structure

From 1 January 2009, ABN AMRO is comprised of three reportable segments, namely the “RBS acquired”, “Dutch State acquired” and “Central Items” segments. This segmentation reflects the focus of and the governance created by the Managing Board on the separate identification and subsequent legal separation of the Dutch State acquired businesses from the residual RBS acquired businesses and remaining Shared Assets in order to create two separate independent banks.

The “RBS acquired” segment represents the businesses acquired by the RBS Group and not sold or transferred to RBS plc. It principally contains the international lending, international transaction services with operations in Europe, Asia and the Americas and the equities business. It also includes some retail and commercial businesses in Asia and South America that are to be divested.

The “Dutch State acquired” segment serves Dutch commercial clients, Dutch consumer clients, and Dutch and international private clients, and includes the International Diamond and Jewelry business.

The “Central Items” segment includes items that are not allocated to but are economically shared by the Consortium Members as well as settlement amounts accruing to Santander arising from the disposal of Banco Real and other sales and settlements of Santander acquired businesses completed in 2008. In addition, prior to April 2008, the majority of the Group Asset and Liability Management portfolios were economically shared. Since the allocation of these portfolios was effected on the basis of prospective agreements between Consortium Members, the results on these portfolios prior to this date are reported in Central Items.

Selected Financial Data

The selected financial data set out below has been derived from ABN AMRO's audited consolidated financial statements for the periods indicated. ABN AMRO's consolidated financial statements for each of the years ended 31 December 2009 and 2008 have been audited by Deloitte Accountants B.V. and the consolidated financial statements for each of the years ended 2007, 2006 and 2005 have been audited by Ernst & Young Accountants LLP, both independent auditors. The selected financial data is only a summary and should be read in conjunction with and is qualified by reference to the consolidated financial statements and notes included elsewhere in this report and the information provided in this section.

Selected Consolidated Income Statement

	2009 (1)	2009	As at 31 December		2006	2005 (2)
	(in millions of USD)	(in millions of euros)	2008	2007		
Net interest income	6,486	4,648	5,783	4,595	4,223	8,785
Net fee and commission income	3,099	2,221	2,629	3,852	3,641	4,691
Net trading income	2,180	1,562	(9,324)	1,119	2,627	2,621
Results from financial transactions	(3,078)	(2,206)	(1,684)	1,134	767	1,281
Share of result in equity accounted investments	35	25	106	223	186	263
Other operating income	11	8	306	1,239	873	1,056
Income of consolidated private equity holdings	608	436	1,726	3,836	5,313	3,637
Total income/(loss)	9,341	6,694	(458)	15,998	17,630	22,334
Operating expenses	12,301	8,815	11,629	14,785	14,702	16,301
Loan impairment and other credit risk provisions	3,898	2,793	3,387	717	668	635
Total expenses	16,199	11,608	15,016	15,502	15,370	16,936
Operating profit/(loss) before tax	(6,858)	(4,914)	(15,474)	496	2,260	5,398
Tax	(579)	(415)	(2,580)	(458)	213	1,142
Profit/(loss) from continuing operations	(6,279)	(4,499)	(12,894)	954	2,047	4,256
Profit from discontinued operations net of tax	138	99	16,489	9,021	2,733	187
Profit/(loss) for the year	(6,141)	(4,400)	3,595	9,975	4,780	4,443
Attributable to shareholders of the parent company	(6,139)	(4,399)	3,580	9,848	4,715	4,382
Dividends on ordinary shares	-	-	19,213	1,071	2,153	2,050

(1) Solely for the convenience of the reader, euro amounts have been translated into US dollars at an exchange rate of 1 USD = EUR 0.7166, which is the rate equal to the average of the month-end rates for 2009.

(2) Selected financial data for 2005 has not been restated for discontinued operations arising in 2008 and 2007. Income statement figures for 2008, 2007 and 2006 have been restated for discontinued operations in accordance with International Financial Reporting Standards ('IFRS').

Selected Consolidated Balance Sheet Data

	2009 (1) (in millions of USD)	2009 (in millions of euros)	As at 31 December 2008	2007	2006	2005
Assets						
Financial assets held for trading	112,476	78,058	212,653	242,277	205,736	202,055
Financial investments	107,921	74,897	67,061	96,435	125,381	123,774
Loans and receivables – banks	57,146	39,659	75,566	175,696	134,819	108,635
Loans and receivables – customers	314,476	218,246	270,507	398,331	443,255	380,248
Total assets	676,290	469,345	666,817	1,025,213	987,064	880,804
Liabilities						
Financial liabilities held for trading	90,327	62,687	192,087	155,476	145,364	148,588
Due to banks	66,491	46,145	94,620	239,334	187,989	167,821
Due to customers	283,354	196,648	209,004	330,352	362,383	317,083
Issued debt securities	137,839	95,660	111,296	174,995	202,046	170,619
Subordinated liabilities	20,957	14,544	13,549	15,616	19,213	19,072
Total liabilities	649,033	450,429	649,694	994,504	961,169	856,652
Equity						
Equity attributable to shareholders of the parent company	27,205	18,880	17,077	29,575	23,597	22,221
Equity attributable to non-controlling interests	52	36	46	1,134	2,298	1,931
Total equity	27,256	18,916	17,123	30,709	25,895	24,152

(1) Solely for the convenience of the reader, euro amounts have been translated into US dollars at an exchange rate of 1 USD = EUR 0.6940, which is the year-end rate for 2009.

Selected Ratios (1)

	At or for the year ended 31 December				
	2009	2008	2007	2006	2005
	(in percentages)				
Profitability ratios					
Net interest margin (2)	0.8	0.7	0.5	0.5	1.1
Non-interest income to total operating income (3)	30.6	-	71.3	76.0	60.7
Efficiency ratio (4)	131.7	-	92.4	83.4	73.0
Return on average total assets (5)	-	0.42	1.1	0.6	0.61
Return on average ordinary shareholders equity (6)	-	11.1	38.4	20.7	23.5
Capital ratios					
Average ordinary shareholders equity on average total assets	2.99	3.83	2.82	2.87	2.24
Dividend payout ratio (7)	-	536.68	10.9	46.0	45.3
Tier 1 Capital ratio (8)	19.89	10.88	12.42	8.45	10.62
Total Capital ratio (8)	25.48	14.43	14.61	11.14	13.14
Credit quality ratios					
Provision for loan losses to private sector loans (9)	1.31	1.35	0.64	0.45	0.23
Provision for loan losses to private and public sector loans (9)	1.29	1.30	0.62	0.43	0.22
Non-performing loans to private sector loans (gross) (9) (10)	4.06	2.37	1.43	2.31	1.72
Non-performing loans to private and public sector loans (gross) (9) (10)	4.00	2.29	1.40	2.23	1.68
Allowance for loan loss to private sector loans (9)	2.67	1.82	1.12	1.15	1.09
Allowance for loan loss to private and public sector loans (9)	2.64	1.76	1.10	1.11	1.06
Allowance for loan losses to non-performing loans (gross) (10)	65.94	77.04	78.16	50.03	63.07
Write-offs to private sector loans (gross) (9)	0.60	0.35	0.52	0.36	0.39
Write-offs to private and public sector loans (gross) (9)	0.59	0.33	0.51	0.35	0.38
Consolidated ratio of earnings to fixed charges (ratio)					
Excluding interest on deposits (11)	-	-	1.07	1.33	1.78
Including interest on deposits (11)	0.43	0.05	1.03	1.15	1.25

(1) According to IFRS the income statement figures of 2007 and 2006 have been restated for the qualifying discontinued operations arising in 2008. In accordance with IFRS the balance sheet figures of 2007 and 2006 are not restated for the effect of discontinued operations in 2008. The 2005 figures have not been restated for discontinued operations arising in 2008 and 2007. As a result the applicable ratios throughout the years are not comparable.

(2) Net interest income as a percentage of average interest earning assets.

(3) Negative ratios have been excluded.

(4) Operating expenses as a percentage of net interest income and total non-interest income. Negative efficiency ratios have been excluded.

- (5) Profit for the year as a percentage of average total assets. Negative ratios have been excluded.
- (6) Net profit attributable to Ordinary shares as a percentage of average ordinary shareholders' equity excluding the reserves with respect to cash flow hedges and available for sale securities. Negative ratios have been excluded.
- (7) Dividend per Ordinary share as a percentage of net profit per Ordinary share.
- (8) Tier 1 capital and total capital as a percentage of risk-weighted assets. For more information on ABN AMRO's capital ratios, please refer to our Capital ratios discussion in Section 3: Operating Review.
- (9) Excludes professional transactions (2009: EUR 10 billion; 2008: EUR 13 billion; 2007: EUR 98 billion; 2006: EUR 94 billion; 2005: EUR 75 billion) because these primarily consist of reverse repurchase agreements with limited credit risk and balances held by multi seller conduits (2009: EUR 0.3 billion; 2008: EUR 5 billion; 2007: EUR 29 billion; 2006: EUR 26 billion; 2005: 26 billion).
- (10) Non-performing loans are doubtful loans for which there is objective evidence that not all contractually agreed amounts will be collected and for which an allowance for loan losses has been established. For more information on non-performing loans please refer to Section 8: 'Additional Information'.
- (11) Deposits include banks and total customer accounts. Negative ratios have been excluded. The earnings for the years ended 31 December 2009 and 2008 were inadequate to cover total fixed charges excluding interest on deposits and total fixed charges including interest on deposits. The coverage deficiencies for total fixed charges excluding interest on deposits and total fixed charges including interest on deposits for the year ended 31 December 2009 was EUR 4,914 million (2008: EUR 15,474 million).

Section 3 Operating Review

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SECTION 3 OPERATING REVIEW

Operating and Financial Review and Prospects

The following discussion of operating results is based on, and should be read in conjunction with, ABN AMRO's consolidated financial statements. The financial information contained in this review has been prepared in accordance with IFRS issued by the IASB and adopted by the EU. For critical accounting policies and changes in accounting rules, refer to the accounting policies section in Section 6: 'Financial Statements'.

This operating review reflects the fact that ABN AMRO consists of two increasingly independent business segments. ABN AMRO's consolidated results are discussed in this context by first comparing the results of operations for the years 2009 to 2008 and 2008 to 2007, highlighting key notes by business segment for each line item. This is followed by a more detailed analysis of the results of operations for each segment, which explains significant variances with reference to the relevant line item.

Consolidation effects of controlled private equity investments

IFRS requires consolidating investments over which ABN AMRO has control, including non-financial investments managed as private equity investments. However, as a practical matter, ABN AMRO's private equity business is managed separately from the rest of the banking business and management does not measure the performance of the banking business based on the consolidated results of the private equity operations. Private equity business involves buying equity stakes in unlisted companies over which ABN AMRO can establish influence or control, and managing these share holdings as an investor for a number of years with a view to selling them at a profit.

The companies in which ABN AMRO has these temporary holdings are active in business sectors outside the financial industry. ABN AMRO believes that combining these temporary holdings with the core banking business does not provide a meaningful basis for discussion of the financial condition and results of operations. Therefore, in the presentation of the 'ABN AMRO results', the effects of a line-by-line consolidation in the income statement of the private equity holdings are removed. The results excluding the consolidation effect include the 'de-consolidated' holdings based on the equity method.

Discontinued operations

No assets and liabilities relating to discontinued operations remain on the balance sheet as at 31 December 2009. For 2009 only a small remainder of Santander bound businesses are reported as discontinued operations. From 1 January 2008 all remaining Santander acquired businesses, including Banco Real, were reported as discontinued operations due to the sale of these businesses during 2008. In 2007 Banca Antonveneta, the former BU Asset Management, ABN AMRO North America Holdings ('La Salle'), ABN AMRO Mortgage Group, Inc. and Bouwfonds were reported as discontinued operations. Profits from discontinued operations include the related operating results and if applicable the gain on sale, (refer to note 2 'Acquisitions and disposals of subsidiaries' and note 45 'Discontinued operations and assets and liabilities held for sale' in Section 6: 'Financial Statements'). The comparative income statement figures for the years 2008 and 2007 have been restated in accordance with IFRS.

ABN AMRO results

The following table sets out selected information relating to ABN AMRO for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)

	2009	IFRS 2008	2007
Net interest income	4,648	5,783	4,595
Net fee and commission income	2,221	2,629	3,852
Net trading income	1,562	(9,324)	1,119
Results from financial transactions	(2,206)	(1,684)	1,134
Share of results in equity accounted investments	25	106	223
Other operating income	8	306	1,239
Income of consolidated private equity holdings	436	1,726	3,836
Total income/(loss)	6,694	(458)	15,998
Operating expenses	8,815	11,629	14,785
Operating result	(2,121)	(12,087)	1,213
Loan impairment and other credit risk provisions	2,793	3,387	717
Operating profit/(loss) before tax	(4,914)	(15,474)	496
Tax	(415)	(2,580)	(458)
Profit/(loss) from continuing operations	(4,499)	(12,894)	954
Profit from discontinued operations net of tax	99	16,489	9,021
Profit/(loss) for the year	(4,400)	3,595	9,975
Total assets	469,345	666,817	1,025,213
Risk-weighted assets	117,535	176,028	232,312
Full-time equivalent staff	52,155	59,558	72,890
Number of branches and offices (1)	908	1,020	4,296

(1) This number includes double counting of branches and offices that serve more than one business. Adjusted for double counting, the actual number of branches and offices amounts to 908 (2008: 970; 2007: 4,254). Including numbers from operations presented as discontinued until actually sold.

Results of operations for the years ended 31 December 2009 and 2008

The results for the year decreased by EUR 7,995 million, to a loss of EUR 4,400 million. Results from continuing operations improved by EUR 8,395 million to a loss of EUR 4,499 million. The variances year-on-year reflect an improvement of EUR 8,381 million for the RBS acquired segment, a deterioration of EUR 588 million for the Dutch State acquired segment and an improvement of EUR 602 million for Central Items.

Total income

Operating income increased by EUR 7,152 million to EUR 6,694. This reflects increases in RBS acquired businesses (EUR 8,238 million) and Central Items (EUR 422 million) and a decrease in Dutch State acquired businesses (EUR 290 million).

Further commentary is provided in the discussion of the individual lines that constitute operating income below and later in the segment commentaries.

Net interest income

Net interest income decreased by EUR 1,135 million, or 19.6%, to EUR 4,648 million. This reflects decreases in the RBS acquired businesses (EUR 837 million), the Dutch State acquired businesses (EUR 229 million) and Central Items (EUR 99 million).

Key notes:

- Net interest income in the RBS acquired businesses decreased mainly due to changes in the structure of the balance sheet driven by transfers of businesses to RBS Group in the course of 2009 and 2008, including the conduit portfolios. In addition, interest income was impacted by the overall interest margin pressure as a consequence of increased funding costs.
- Net interest income decreased in the Dutch State acquired businesses mainly due to interest margin pressure. A recovery of the interest margins in the Dutch deposit and saving markets started slowly in the second half of 2009.

Net fee and commission income

The following table sets out the net fee and commission income for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Fee and commission income			
Securities brokerage fees	795	876	1,399
Payment and transaction services fees	767	836	764
Asset management and trust fees	276	359	495
Fees generated on financing arrangements	130	130	278
Advisory fees	216	321	578
Other fees and commissions	558	546	667
Subtotal	2,742	3,068	4,181
Fee and commission expense			
Securities brokerage expense	65	103	83
Other fee and commission expense	456	336	246
Subtotal	521	439	329
Total	2,221	2,629	3,852

Net fees and commission income decreased by EUR 408 million, or 15.5%, to EUR 2,221 million. This was due to decreases in the RBS acquired businesses (EUR 334 million), Dutch State acquired businesses (EUR 124 million),

partly offset by an increase in Central Items (EUR 50 million).

Key notes:

- The decrease in RBS acquired businesses is due to reduced business origination and activity resulting in lower brokerage fees following business transfers to RBS Group.
- Net fees and commission income in the Dutch State acquired businesses decreased, mainly due to lower average Asset under Management levels. Although the Asset under Management levels increased by EUR 22 billion to EUR 124 billion, the average Asset under Management levels were lower in 2009 compared to

the average Asset under Management levels in 2008. The decrease was also due to fees paid on the credit protection purchased in August 2009 for a EUR 34.5 billion portfolio of residential mortgages to strengthen the capital position of the Dutch State acquired businesses.

Net trading income

The following table sets out the net trading income for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Interest instruments and credit trading	75	(9,276)	(1,531)
Foreign exchange trading	884	915	1,152
Equity and commodity trading	651	(1,017)	1,438
Other	(48)	54	60
Total	1,562	(9,324)	1,119

Net trading income increased by EUR 10,886 million to EUR 1,562 million. The majority of the increase is attributable to the RBS acquired businesses (EUR 10,564 million).

Key notes:

- The increase in net trading income in the RBS acquired businesses is mainly driven by lower credit valuation adjustments on monoline insurers, Credit Derivative Product Companies and write offs on Collateralised Debt Obligations following the transfer of these assets to RBS Group at the end of the first quarter of 2009. Credit valuation adjustments for 2008 amounted to a negative EUR 4.2 billion, compared with negative EUR 1.2 billion in 2009. Write downs in Collateralised Debt Obligations reduced by EUR 1.3 billion to EUR 0.2 billion in 2009. Please see the paragraph 'Credit market and related exposures' in this section for further information.
- Net trading income of 2008 includes losses on trading counterparties of approximately EUR 1.0 billion including the Lehman Brothers default and the Bernard L. Madoff fraud which did not re-occur in 2009.
- The increase is also as a result of improvement in the equity business.
- The trading results in Asset and Liability Management increased by EUR 0.7 billion affecting interest instruments trading following market gains on the portion of the liquidity portfolio designated as trading.

Results from financial transactions

The following table sets out the results from financial transactions for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Net result on the sale of available-for-sale debt securities	48	(1,453)	157
Net result on the sale of loans and advances	(625)	(428)	(23)
Impairment of available-for-sale debt securities	(10)	(333)	-
Net result on available-for-sale equity investments	16	(67)	35
Net result on fair value changes in own credit risk and repurchase of own debt	233	490	251
Dividends on available-for-sale equity investments	15	54	9
Net result on other equity investments	(108)	(1,185)	669
Net result on risk mitigants	(1,680)	1,545	116
Other	(95)	(307)	(80)
Total	(2,206)	(1,684)	1,134

Results from financial transactions decreased by EUR 522 million, or 31.0%, to EUR 2,206 million. The decrease was due to the RBS acquired businesses (EUR 743 million), partly offset by increases in Dutch State acquired businesses (EUR 118 million) and Central Items (EUR 61 million).

Key notes:

- The improvement in the net result on sale of the available-for-sale debt securities and loans and advances was mainly related to the RBS acquired businesses. This was as a result of high losses on the transfers of credit portfolios to RBS Group during 2008, which were limited in 2009.
- The losses on sale of loans and advances reflect the continued transfer and sale of portfolios within the RBS acquired businesses to RBS Group.

- The tightening of credit spreads during 2009 impacted the fair value gain on own credit, which reduced from EUR 490 million in 2008 to EUR 233 million in 2009.
- The result on other equity investments improved from a loss of EUR 1,185 million (including losses on the sale of our shareholding in Unicredit in 2008) to a loss of EUR 108 million. This relates to the losses incurred on the centrally held private equity portfolios in the course of 2008.
- The decrease in the net results of risk mitigants from a gain of EUR 1,545 million to a loss of EUR 1,680 million was mainly attributable to losses on credit default swaps in the RBS acquired businesses used to hedge credit positions following a gradual tightening of the spreads in 2009.

Share of result in equity accounted investments

Share of result in equity accounted investments decreased by EUR 81 million to EUR 25 million. This was due to decreases in the RBS acquired businesses (EUR 74 million) and Central Items (EUR 59 million), partly offset by an increase in Dutch State acquired businesses (EUR 52 million).

Key notes

- The share of result in equity accounted investments in the RBS acquired businesses has decreased due to the impairment in an infrastructure investment entity in the region Asia.
- The decrease in Central Items is due to lower profits reported by Saudi Hollandi Bank.

Other operating income

The following table sets out the other operating income for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Insurance activities	11	45	36
Leasing activities	69	78	82
Disposal of operating activities and equity accounted investments	(198)	(6)	894
Other	126	189	227
Total	8	306	1,239

Other operating income decreased by EUR 298 million to EUR 8 million. This is due to decreases in the RBS acquired businesses (EUR 338 million) and Dutch State acquired businesses (EUR 27 million), partly offset by an increase in Central Items (EUR 67 million).

Key notes:

- Other operating income in the RBS acquired businesses decreased mainly due to the valuation adjustments arising on sales agreements and the classification as held for sale of non strategic assets in Asia.

Income of consolidated private equity holdings

Income of consolidated private equity holdings decreased by EUR 1,290 million to EUR 436 million due to the sale of consolidated private equity investments in 2009.

Operating expenses

Operating expenses decreased by EUR 2,814 million, or 24.2%, to EUR 8,815 million, due to decreases in the RBS acquired businesses (EUR 1,261 million) and Central Items (EUR 350 million), partly offset by an increase in Dutch State acquired businesses (increase EUR 10 million).

Key notes:

- The decrease in the RBS acquired businesses is as a result of a 17% reduction in headcount from 32,805 to 27,251 reflecting the transfer of employees to RBS Group, continued redundancies and the divestment of non-core

businesses. Related reductions in personnel costs, including bonuses and general administrative expenses totalling EUR 1,103 million, were partially offset by increased depreciation, and goodwill impairments related to the Taiwan and Pakistan operations.

- Operating expenses in Central Items decreased mainly due to the reduction in the Central Items activity. The results in 2009 include EUR 3 million restructuring costs compared with EUR 167 million restructuring costs in 2008.

- Operating expenses in the Dutch State acquired businesses increased mainly due to the EUR 83 million deposit guarantee charge (charge of EUR 100 million related to the bankruptcy of the DSB bank, partly offset by release of EUR 17 million for Icesave) and EUR 227 million restructuring costs compared with EUR 53 million deposit guarantee charge relating to Icesave and EUR 209 million restructuring costs in 2008. The restructuring charge relates to integration and restructuring costs as well as costs related to the preparation for the sale to address the EC Remedy.

Loan impairment and other credit risk provisions

Loan impairments and other credit risk provisions decreased from EUR 3,387 million to EUR 2,793 million due to a decrease in the RBS acquired businesses (EUR 988 million) partly offset by an increase in Dutch State acquired businesses (EUR 396 million).

Key notes:

- The improvement in the RBS acquired businesses comes predominantly from lower specific provision for LyondellBasell which amounted to EUR 0.5 billion in 2009 and EUR 1.1 billion in 2008 and overall decreased levels of impairment, specifically in the last part of 2009.
- The increase in the Dutch State acquired businesses is predominantly due to specific provisions against commercial loans and an increased level of incurred but not identified provisions on the basis of an assessment of the economic climate and the expected impairments.

Tax

The income tax credit decreased to net benefit of EUR 415 million compared to a credit of EUR 2,580 million in 2008. The overall net credit was impacted in 2009 and 2008 by deferred tax assets relating to losses not recognised due to uncertainty of recoverability of EUR 0.8 billion (2008: EUR 1.4 billion).

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax of EUR 99 million in 2009 relates to Santander disposals.

Profit from discontinued operations net of tax of EUR 16,489 million in 2008 included:

- The sale of Banco Real to Santander which was concluded in July 2008 with a gain of EUR 10,647 million.
- Asset Management which was sold to Fortis in March 2008 with a gain of EUR 3,073 million.
- Banca Antonveneta which was sold to Banca Monte dei Paschi di Siena in May 2008 with a gain of EUR 2,357 million.

Results of operations for the years ended 31 December 2008 and 2007

Profit for the year decreased by EUR 6,380 million, to EUR 3,595 million. Profit from continuing operations decreased by EUR 13,848 million to a loss of EUR 12,894 million. The variances year-on-year are: the RBS acquired segment (decrease EUR 12,118 million), Central Items (decrease EUR 1,021 million) and the Dutch State acquired segment (decrease EUR 709 million). Profit from discontinued operations net of tax amounted to EUR 16,489 million, reflecting gains on the sale of Banco Real to Santander, Asset Management to Fortis and Banca Antonveneta to Banca Monte dei Paschi di Siena.

Total income

Operating income decreased by EUR 16,456 million to a negative operating income of EUR 458 million. This relates to decreases in operating income in the RBS acquired businesses (EUR 12,403 million), Central Items (EUR 1,659 million) and the Dutch State acquired businesses (EUR 373 million).

The negative operating income in the global market business, predominantly attributable to the European business in the RBS acquired segment, include credit market write downs against asset-backed securities (approximately EUR 1.6 billion) and credit valuation adjustment against exposures to credit insurance counterparties (approximately EUR 4.8 billion), losses arising on trading book counterparty failures (approximately EUR 1.0 billion, including losses associated with the Lehman Brothers bankruptcy and the Bernard L. Madoff fraud), losses due to a change in the valuation methodology for complex trading products (approximately EUR 0.5 billion) and approximately EUR 2.4 billion of losses on the transfer of certain portfolios to RBS Group. These transfers are at fair value to RBS Group. However, from an RBS Group perspective, the results on these transfers are eliminated as RBS Group is both the buyer and the seller.

Within Central Items the results from the Private Equity portfolio and our shareholding in Unicredit were both negative in 2008.

Further comment is provided in the discussion of the individual lines that constitute operating income and in the segment commentaries.

Net interest income

Net interest income increased by EUR 1,188 million, or 25.9%, to EUR 5,783 million. This was predominantly due to increases in Central Items (EUR 847 million), and the RBS acquired segment (EUR 383 million), partly offset by a decrease in the Dutch State acquired segment (EUR 217 million).

Key notes:

- Net interest income in Central Items increased mainly due to the interest on the proceeds of the sale of Banca Antonveneta and the sale of Banco Real and due to the transfer of Group Asset and Liability Management portfolios to the RBS acquired and the Dutch State acquired businesses from April 2008 onward.
- The increase in the RBS acquired segment is mainly due to the interest on the proceeds of the sale of LaSalle, higher revenues from commercial banking and higher interest on cash balances in treasury, as well as higher revenues in the global market, credit market and the equities business.
- The decrease in the Dutch State acquired segment resulted from the inclusion of a negative interest margin from the Group Asset and Liability Management portfolios allocated to the Dutch State. This was partly offset by interest revenues on the proceeds of the sale of Asset Management. An increase in gross interest, resulting from higher mortgage volumes and commercial loans, did not compensate for the lower margins. Margins on deposits and savings also dropped due to the migration to higher yielding saving products and deposits.

Net fee and commission income

Net fee and commission income decreased by EUR 1,223 million, or 31.7%, to EUR 2,629 million. This was due to a decrease in the RBS acquired segment (EUR 749 million), Central Items (EUR 255 million) and the Dutch State acquired segment (EUR 219 million).

Key notes:

- Lower net fee and commission income in the RBS acquired businesses was due to lower results from the merger and acquisition business and due to lower revenues from equity derivative and strategy business.
- Net fees and commission income in Central Items decreased, mainly due to the transfer of Group Asset and Liability Management portfolios.
- Net fees and commission income decreased in the Dutch State acquired businesses mainly due to lower Assets under Management levels in the Private Clients business which decreased by EUR 38 billion to EUR 102 billion. This decline reflects a reduction in net new assets due to migration to savings products and lower asset values due to deteriorated financial markets.

Net trading income

Net trading income decreased by EUR 10,443 million to a loss of EUR 9,324 million. The majority of the decrease is attributable to the RBS acquired segment (EUR 10,204 million) specifically within the European operations.

Key notes:

- The decrease in net trading income in the RBS acquired businesses includes credit market write-downs against asset backed securities and credit valuation adjustments against exposures to credit insurance counterparties. For further information refer to our discussion on 'Credit market and related exposures' within this section. The negative revenue also includes losses arising on trading book counterparty failures (approximately EUR 1.0 billion, including losses associated with the Lehman Brothers bankruptcy and the Bernard L. Madoff fraud). Furthermore, trading income was impacted by approximately EUR 500 million of losses due to a change in the valuation methodology of complex trading products that involve multiple unobservable inputs, such as correlation and interpolation, which have been adjusted to use the same estimation techniques as the ultimate parent company, RBS.

Results from financial transactions

Results from financial transactions decreased by EUR 2,818 million to a loss of EUR 1,684 million. The decrease was due to the RBS acquired segment (EUR 1,709 million) and Central Items (EUR 1,171 million), partly offset by an increase in the Dutch State acquired segment (EUR 144 million).

Key notes:

- The decrease in the RBS acquired businesses is due to losses of EUR 2.4 billion on the transfer of certain credit portfolios to RBS. The businesses were also impacted by losses on proprietary equity investments of approximately EUR 0.3 billion. These negative results are partly offset by gains recorded on own debt held at fair value of approximately EUR 0.5 billion.
- Results from financial transactions in Central Items decreased, mainly due to lower results from the Private Equity portfolio (approximately EUR 0.8 billion) and losses from our shareholding in Unicredit (approximately EUR 0.8 billion) that was sold in 2008.

Share of result in equity accounted investments

Share of result in equity accounted investments decreased by EUR 117 million to EUR 106 million. This was due to the decrease in profits generated by investments held in Central Items (EUR 54 million) and the RBS acquired segment (EUR 39 million).

Other operating income

Other operating income decreased by EUR 933 million to EUR 306 million, primarily due to a decrease in Central Items (EUR 755 million).

Key notes:

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Central Items in 2007 included the gain on the sale of ABN AMRO's stake in Capitalia which was settled in exchange for Unicredit shares (EUR 624 million) and the gain on the sale of the Latin American Private Banking operations (EUR 77 million).

Income of consolidated private equity holdings

Income of consolidated private equity holdings decreased by EUR 2,110 million to EUR 1,726 million, due to the transfer of management activities from businesses within Private Equity to an independent management company. As a result of the structural change in control, the results from the portfolio of investments managed by the independent management company were no longer consolidated as of 1 July 2007 but changes in fair value were shown within results from financial transactions as a net result on other equity investments instead.

Operating expenses

Operating expenses decreased by EUR 3,156 million, or 21.3%, to EUR 11,629 million, due to decreases in Central Items (EUR 929 million) and the RBS acquired segment (EUR 404 million). This was partly offset by an increase in the Dutch State acquired segment (EUR 176 million).

In 2008, EUR 1,036 million of restructuring charges were included, compared to a net release of EUR 101 million in 2007.

Key notes:

- Operating expenses in Central Items in 2008 include a EUR 167 million restructuring charge, whereas 2007 included a restructuring release of EUR 14 million. Operating expenses in 2007 included a provision for the US Department of Justice investigation (EUR 365 million), transaction-related advisory fees (EUR 211 million), the break-up fee paid to Barclays (EUR 200 million), costs of accelerated vesting of share-based payments (EUR 117 million) and transition and integration costs (EUR 95 million).
- Operating expenses in the RBS acquired businesses decreased primarily as a result of lower performance related bonuses resulting from the decreased trading performance and a reduction in headcount. In 2008, operating expenses included a restructuring charge of EUR 657 million, compared with a restructuring release of EUR 39 million in 2007 (total increase of EUR 696 million).
- The 2008 operating expenses in the Dutch State acquired businesses include a restructuring charge of EUR 208 million, whilst in 2007 a restructuring allowance of EUR 48 million was released. The restructuring charge relates to integration and restructuring costs as well as costs related to the preparation for the possible sale resulting from the EC Remedy. Adjusted for the restructuring charge of EUR 208 million, operating expenses decrease by EUR 32 million, due to cost management actions throughout the year, partially offset by an increase in staff costs and a provision for the estimated costs to ABN AMRO relating to the deposit guarantee scheme in the Netherlands.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 2,670 million to EUR 3,387 million. The main increases were in the RBS acquired segment (EUR 2,263 million) and the Dutch State acquired segment (EUR 398 million).

Key notes:

- Loan impairment and other credit risk provisions increased in the European operations of the RBS acquired businesses mainly due to a provision relating specifically to LyondellBasell Industries (approximately EUR 1.1 billion) and further provisions in the global markets business.
- The increase in the Dutch State acquired businesses is mainly related to the small and medium enterprise portfolio.

Tax

Tax expense decreased by EUR 2,122 million to a net tax benefit of EUR 2,580 million. In 2008 deferred tax assets relating to losses were not recognised due to uncertainty of recoverability in the RBS acquired segment (EUR 1.4 billion).

Included in 2007 were significant tax-exempt gains on disposals, including the gain on the sale of Capitalia (EUR 624 million, net EUR 617 million), tax credits in some countries as well as substantial releases of tax liabilities resulting from the finalisation of prior-year tax returns and conclusions on a number of additional items.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax of EUR 16,489 million in 2008 included:

- The sale of Banco Real to Santander which was concluded in July 2008 with a gain of EUR 10,647 million.
- Asset Management which was sold to Fortis in March 2008 with a gain of EUR 3,073 million.
- Banca Antonveneta which was sold to Banca Monte dei Paschi di Siena in May 2008 with a gain of EUR 2,357 million.

Profit from discontinued operations net of tax of EUR 9,021 million in 2007 included:

- The sale of ABN AMRO Mortgage Group, Inc., ABN AMRO's US-based residential mortgage broker origination platform and residential mortgage servicing business, with a gain of EUR 110 million (net of tax results for the first two months and a gain on sale).
- The sale of ABN AMRO North America Holding Company which principally consists of the retail and commercial activities of LaSalle Corporation (LaSalle), in October 2007. The net of tax results for the first nine months were EUR 777 million, and the gain on sale amounted to EUR 7,163 million.
- The classification as discontinued operations of Banca Antonveneta (EUR 107 million losses).
- The classification as discontinued operations of Asset Management (EUR 171 million).
- The classification as discontinued operations of Banco Real (EUR 786 million).
- The gain on the sale of Interbank N.V., DMC Group (total EUR 69 million).
- The partial release of a provision recorded in connection with the sale of Bouwfonds in 2006 (EUR 52 million).

Analysis of the balance sheet movements

The following is an analysis by significant balance sheet category of movements between 31 December 2009 and 31 December 2008.

(in millions of euros)	2009	2008
Assets		
Financial assets held for trading	78,058	212,653
Financial investments	74,897	67,061
Loans and receivables – banks	39,659	75,566
Loans and receivables – customers	218,246	270,507
Total assets	469,345	666,817
Liabilities		
Financial liabilities held for trading	62,687	192,087
Due to banks	46,145	94,620
Due to customers	196,648	209,004
Issued debt securities	95,660	111,296
Subordinated liabilities	14,544	13,549
Total liabilities	450,429	649,694
Equity		
Equity attributable to shareholders of the parent company	18,880	17,077
Equity attributable to non-controlling interests	36	46
Total equity	18,916	17,123
Guarantees and other commitments	36,767	42,148

ABN AMRO's total assets were EUR 469 billion at 31 December 2009, a decrease of EUR 197 billion, or 30%, when compared with EUR 667 billion at 31 December 2008. This decrease is primarily related to the continued transfer and sale of businesses and portfolios to RBS Group. The impact from the dislocation in the financial markets was not as significant in 2009, in comparison to 2008, however it was still a prevalent factor in the reduction of some balance sheet activities.

ABN AMRO's total liabilities decreased EUR 199 billion, or 31%, to EUR 450 billion for reasons related to the decrease in total assets.

Financial assets and liabilities held for trading

Financial assets held for trading decreased by EUR 135 billion, or 63%, to EUR 78 billion at 31 December 2009 when compared to EUR 213 billion at 31 December 2008. This was predominantly due to a large decrease in derivative financial assets as trading positions either matured or were transferred to RBS Group as part of the overall integration plan.

Financial liabilities held for trading of EUR 63 billion at 31 December 2009 decreased by EUR 129 billion, or 67%, as compared to EUR 192 billion at 31 December 2008, for similar reasons as noted above.

Financial investments

At 31 December 2009, ABN AMRO held financial investments of EUR 75 billion as compared to EUR 67 billion at 31 December 2008. The increase of EUR 8 billion, or 12%, was in part due to an increase in interest earning securities following the need to hold higher levels of quality collateral to support some issued note programs. The largest

increase related to interest earning securities issued by other OECD governments which are held as part of asset and liability management activities.

Loans and receivables – banks and Due to banks

Total loans and receivables – banks decreased by EUR 36 billion, or 48%, to EUR 40 billion at 31 December 2009 compared to the balance of EUR 76 billion at 31 December 2008. The decrease is predominantly attributable to a decrease in professional securities transactions of EUR 31 billion due to the transfer of reverse repurchase activity to RBS Group during the first half of 2009 and no new transactions being generated in ABN AMRO. Loans also decreased, by EUR 6 billion from 2008, mainly as a result of a decrease in global exposures on derivative collateral with banks due to the maturing of trades and the decreasing net exposures as a result of derivative novations.

Due to banks decreased EUR 48 billion to EUR 46 billion at 31 December 2009 from EUR 95 billion at 31 December 2008. The majority of the reduction is in professional securities transactions (EUR 21 billion decrease) and is due to the roll-off of existing repurchase agreements with new business flowing to RBS Group.

Loans and receivables – customers and Due to customers

Loans and Receivables - customers decreased by EUR 52 billion, or 19%, to EUR 218 billion at 31 December 2009 compared to the balance of EUR 271 billion at 31 December 2008. Commercial loans and receivables decreased by EUR 35 billion due to continued transfers of business activities to RBS Group and the maturing of loans. The level of public sector loans and receivables has decreased mainly as a result of the maturing of loans with the Ministry of Finance of Japan. Furthermore, multi-seller conduits balances decreased by EUR 5 billion due to the transfer to RBS Group of the multi-seller conduits Orchid Funding Corporation and Abel Tasman Holdings. Also impacting on the overall decrease in this balance is the reclassification of approximately EUR 3.3 billion of loans and receivables to held for sale relating to certain Asian operations within the RBS acquired businesses segment.

Due to customers decreased EUR 12 billion, or 6%, to EUR 197 billion at 31 December 2009 compared to the balance of EUR 209 billion at 31 December 2008. A significant proportion of the decrease is related to the RBS acquired businesses segment including EUR 7.8 billion due to the reclassification of certain Asian operations in the RBS acquired businesses segment to held for sale.

Issued debt securities

Issued debt securities of EUR 96 billion at 31 December 2009 compare to EUR 111 billion at 31 December 2008. The decrease of EUR 16 billion, or 14%, was due to transfers to the RBS Group during the year. This includes a fall in issued commercial paper following the transfer of the remaining multi-seller conduits Orchid Funding Corporation and Abel Tasman Holdings. The decrease in bonds issued was due to debt redemptions and the buy back of own issued debt.

Subordinated liabilities

Subordinated liabilities increased EUR 1.0 billion, or 7%, to EUR 14.5 billion at 31 December 2009 compared to EUR 13.5 billion at 31 December 2008. The increase in 2009 is a result of the issuance of EUR 2.6 billion of Mandatory Convertible Securities as part of the capital actions of the new ABN AMRO Bank. This increase was partly offset by the redemption of EUR 1.5 billion of subordinated notes falling due.

Guarantees and other commitments

ABN AMRO has, at any time, a number of commitments to extend credit. At 31 December 2009, ABN AMRO had EUR 37 billion of guarantees and other commitments outstanding as compared to EUR 42 billion at 31 December 2008. At 31 December 2009, ABN AMRO had EUR 52 billion of committed credit facilities as compared to EUR 63 billion at 31 December 2008. Lower levels of commitments follow the trend on lower loan book volumes.

Total equity

The following table shows ABN AMRO's capital at 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Ordinary share capital	1,852	1,852	1,085
Ordinary share premium reserves	11,943	5,343	5,332
Treasury shares	-	-	(2,640)
Retained earnings	6,697	11,096	25,650
Net gains/(losses) not recognised in the income statement	(1,612)	(1,214)	148
Equity attributable to shareholders of the parent company	18,880	17,077	29,575
Non-controlling interests	36	46	1,134
Total equity	18,916	17,123	30,709

Total equity at year end 2009 was EUR 18,916 million, an increase of EUR 1,793 million or 10.5% compared with 2008. This was due to:

- An increase in ordinary share premium reserves of EUR 6,600 million due to the injection of capital by the shareholder in preparation for the legal separation of the new ABN AMRO Bank from ABN AMRO Holding for the benefit of the RBS acquired businesses.
- Retained earnings decreased by EUR 4,399 million reflecting the operating loss recorded for 2009.

Total equity at year end 2008 was EUR 17,123 million, a decrease of EUR 13,586 million or 44.2% compared with 2007. This was due to:

- A decrease of EUR 12,498 million, or 42.3%, in equity attributable to the shareholder of the parent company, mainly resulting from a decrease in retained earnings following dividend payments in 2008 of EUR 19,213 million, a decrease in treasury shares following the sale of these shares to RFS Holdings and an increase of losses not recognised in the income statement. This was partially offset by a net profit attributable to the shareholder of the parent company of EUR 3,580 million and an increase in ordinary share capital following the conversion of preference financing shares and (formerly convertible) preference shares.
- A EUR 1,088 million decrease in non-controlling interests in 2008, which is explained by net additions and disposals of EUR 996 million, EUR 107 million currency translation losses and profit attributable to minority interest of EUR 15 million.

Capital ratios

Subsequent to its acquisition by RFS Holdings, ABN AMRO received approval for a transitional period from the Dutch Central Bank ('DNB') with regards to compliance to Basel II capital rules. ABN AMRO has agreed to continue to report figures on the basis of Basel I as part of the transitional agreement. In accordance with this, specific minimal requirements have been set for the tier 1 and total capital ratios, including the requirement to treat the capital deductions in the same manner as required by Basel II.

ABN AMRO applies capital adequacy ratios based on the Bank for International Settlements' guidelines and DNB directives. These ratios compare ABN AMRO's capital with its assets and off-balance sheet exposure, weighted according to the relative risk involved. Capital is also set aside for market risk associated with trading activities. The minimum required ratios, as determined by the DNB, were increased in 2008 and remained for 2009 as discussed in Section 4: 'Risk and Capital Management'. The minimum Tier 1 ratio required is 9% and the minimum total capital ratio is 12.5%.

The total capital base increased by 17.9% (2008: decreased by 25.1%) to EUR 29.9 billion at 31 December 2009 (2008: EUR 25.4 billion). Risk weighted assets amounted to EUR 117.5 billion at 31 December 2009 (2008: EUR 176.0 billion), a decrease of EUR 58.5 billion (2008: EUR 56.3 billion), or 33.2% (2008: 24.2%) from 2008.

The following table analyses ABN AMRO's capital and risk-weighted assets at 31 December.

(in millions of euros)	2009	2008
Tier 1 capital	23,374	19,152
Tier 2 capital	6,575	5,981
Tier 3 capital	-	272
Total capital base (net of supervisory deductions)	29,949	25,405
(in millions of euros)	2009	2008
Risk-weighted assets on balance	83,892	119,667
Off-balance	32,061	43,292
Market risks	1,582	13,069
Total risk-weighted assets	117,535	176,028

Tier 1 capital consists of shareholders' equity and qualifying subordinated liabilities less goodwill and some intangible assets. Tier 2 capital represents additional qualifying subordinated liabilities, taking into account the remaining maturities. Core tier 1 capital is tier 1 capital excluding qualifying subordinated liabilities.

During 2009 ABN AMRO has complied with the supervisory capital requirements to which it is subject. In fact capital ratios are significantly higher than the current minima set by the DNB. This reflects remaining amounts to be repatriated to Santander, and the capital actions undertaken by RBS Group and the Dutch State to enable legal separation. The increase in capital is to ensure standalone capital adequacy compliance and to meet expected requirements on the transition to Basel II in 2010, for the two separated banks.

The following table analyses actual capital and the minimum standard needed in order to comply with supervisory requirements:

	2009		2008	
	Required	Actual	Required	Actual
Total capital	14,692	29,949	22,004	25,405
Total capital ratio	12.50%	25.48%	12.50%	14.43%

Tier 1 capital	10,578	23,374	15,843	19,152
Tier 1 capital ratio	9.00%	19.89%	9.00%	10.88%
Core tier 1	n/a	19,845	n/a	17,778
Core tier 1 ratio	n/a	16.88%	n/a	10.10%

The risk-weighted asset level was determined as follows:

	Balance sheet/un-weighted amount		Risk-weighted amount, including effect of contractual netting	
	2009	2008	2009	2008
Balance sheet assets (net of provisions):				
Cash and balances at central banks	28,382	5,854	90	485
Financial assets held for trading	78,058	212,653	-	-
Financial investments	74,897	67,061	4,437	4,961
Loans and receivables-banks	39,659	75,566	3,858	4,210
Loans and receivables-customers	218,246	270,507	65,536	101,909
Equity accounted investments	856	796	137	138
Property and equipment	1,961	2,035	1,886	2,002
Goodwill and other intangibles	645	924	453	583
Assets of business held for sale	4,889	1,583	3,328	1,205
Prepayment and accrued income	5,871	7,011	2,115	2,003
Tax assets	6,022	5,100	-	-
Other assets	9,859	17,727	2,052	2,171
Subtotal	469,345	666,817	83,892	119,667
Off-balance sheet positions and derivatives:				
Credit-related commitments and contingencies	88,287	105,584	25,670	28,053
Credit equivalents of derivatives			6,130	14,814
Insurance companies and other			261	425
Subtotal			32,061	43,292
Total credit risks			115,953	162,959
Market risk requirements			1,582	13,069
Total Risk-Weighted Assets			117,535	176,028

In determining the capital adequacy requirement, both existing and future credit risk is taken into account. To this end the current potential loss on derivatives, which is the fair value based on market conditions at balance sheet date, is increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract. This method takes into account the possible adverse development of the fair value during the remaining term of the contract. The following analysis shows the resulting credit equivalent, both un-weighted and weighted for counterparty risk (mainly banks). The figures allow for the impact of netting transactions and other collateral.

Credit equivalent of derivative contracts

	2009	2008
Interest rate contracts	31.7	86.5
Currency contracts	27.1	48.1
Other contracts	18.7	90.0
	77.5	224.6
Effect of contractual netting	51.0	163.1
Unweighted credit equivalent	26.5	61.5
Weighted credit equivalent	6.1	14.8

Liquidity and funding

Liquidity management within ABN AMRO addresses the overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from exposure to undrawn commitments and other contingent obligations.

In December 2008 ABN AMRO's credit ratings were downgraded. This required the bank to post more collateral especially due to its role as cash deposit bank in securitisation transactions. The bank had to post approximately EUR 20 billion of additional collateral in January 2009.

In 2009 ABN AMRO liquidity management was focused on improving and subsequently maintaining the high liquidity level to enable a smooth legal separation process of the assets and liabilities acquired by the Dutch State into a new created bank during the first quarter of 2010. The DNB requires an adequate liquidity position for both banks on a stand alone basis.

Following a difficult first quarter of 2009, most indicators of stresses in financial markets are close to or better than before the collapse of Lehman Brothers in September 2008. Liquidity conditions in money and debt markets have improved significantly since the beginning of the second quarter of 2009. Contributing to the improvement has been a combination of ongoing central bank and other official liquidity support schemes, guarantee schemes and rate cuts. Signs of stabilising underlying macroeconomic trends also helped to sustain a recovery in debt markets.

In order to strengthen the liquidity buffer an additional amount of EUR 7.1 billion Dutch residential mortgages were securitised and thus became European Central Bank eligible collateral.

During 2009, the completion of the transfer of certain businesses and assets from ABN AMRO to Consortium Members decreased the liquidity risk exposure with an improving trend and enabling ABN AMRO to manage its liquidity position without excessive stress. The remainder of the multi-seller conduits were transferred to RBS Group in 2009 with only one own asset conduit, Amstel, remaining within ABN AMRO. The outstanding of this program as at 31 December 2009 was approximately EUR 8.7 billion (2008: EUR 17.8 billion).

Liquidity Ratio

ABN AMRO uses the stable funding to non liquid assets ratio in its liquidity management (refer Section 4: 'Risk & Capital Management' for a discussion on funding liquidity management and measurement). This ratio shows the extent to which assets (non liquid assets) are covered by liabilities (stable funding). Non liquid assets are assets that require continuous funding and where - from a commercial perspective - ABN AMRO is not in a position to discontinue funding. Stable funding is funding which is assumed to remain available in a crisis.

	2009	2008
Stable funding/non liquid assets:		
Year end ratio	121%	96%
Average ratio	110%	95%

ABN AMRO has continued to meet its internal liquidity management limits as well as regulatory liquidity requirements at all times in 2009.

As at 31 December 2009 ABN AMRO Holding and ABN AMRO Bank N.V. (renamed RBS N.V. at legal demerger on 6 February 2010) and ABN AMRO II N.V. (renamed ABN AMRO Bank N.V. at legal demerger) on a stand alone basis met the DNB liquidity requirements based on a substantial liquidity buffer which could be used to generate additional liquidity at short notice of approximately EUR 59 billion.

Offices and branches

At 31 December 2009, ABN AMRO operated 644 (2008: 615) offices and branches in the Netherlands and 264 (2008: 405) offices and branches in 51 (2008: 53) other countries and territories.

Results of operations by segment

Changes to reporting structure and presentation

From 1 January 2009 the management and control structure of ABN AMRO has been aligned with the consortium ownership. The results of operations for the years ended 31 December 2008 and 2007 have been restated to reflect these changes.

RBS acquired businesses

Selected information

The table below sets out selected information relating to the RBS acquired segment for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Net interest income	1,711	2,548	2,165
Net fee and commission income	1,024	1,358	2,107
Net trading income	1,449	(9,115)	1,089
Results from financial transactions	(2,261)	(1,518)	191
Share of result in equity accounted investments	(65)	9	48
Other operating income	(284)	54	139
Total income/(loss)	1,574	(6,664)	5,739
Operating expenses	4,457	5,718	6,122
Operating result	(2,883)	(12,382)	(383)
Loan impairment and other credit risk provisions	1,621	2,609	346
Operating profit/(loss) before tax	(4,504)	(14,991)	(729)
Tax	(336)	(2,442)	(298)
Profit/(loss) from continuing operations	(4,168)	(12,549)	(431)
Total assets	274,860	478,195	686,791
Total equity	5,328	5,951	18,606
Risk-weighted assets	40,156	80,395	66,212
Tier 1 capital ratio	15.64%	8.47%	n/a
Full-time equivalent staff	27,251	32,805	32,888
Number of branches and offices	264	315	316
Efficiency ratio(1)	283.2%	-	106.7%

(1) Negative efficiency ratios have been excluded

Results of operations for the years ended 31 December 2009 and 2008

The results for the year improved by EUR 8,381 million to a loss of EUR 4,168 million. This is due to an increase in the operating income of EUR 8,238 million, a reduction in operating expenses of EUR 1,261 million, and a reduction in loan impairments and other credit risk provisions of EUR 988 million.

Total income

Operating income increased by EUR 8,238 million to EUR 1,574 million. The improvement reflects a significant increase in the net trading income of EUR 10,564 million partially offset by declines in net interest income of EUR 837 million, result from financial transactions of EUR 743 million, other operating income of EUR 338 million and net fee and commission income of EUR 334 million.

- Net interest income reduced from EUR 2,548 million to EUR 1,711 million. This reflects the significant changes in the structure of the balance sheet following transfers of businesses to RBS Group in course of 2009 and 2008, including the conduit portfolios. In addition net interest income was impacted by the overall interest margin pressure as a consequence of increased funding costs.
- Net fee and commission income declined from EUR 1,358 million to EUR 1,024 million due to business transfers and reduced market activity resulting in lower brokerage fees.
- Net trading income improved significantly from a loss of EUR 9,115 million to a profit of EUR 1,449 million. This is mainly driven by the lower credit valuation adjustments on monoline insurers, Credit Derivative Product Companies and write offs on Collateralised Debt Obligations following the transfer to RBS Group at the end of the first quarter of 2009. The credit valuation adjustments for 2008 amounted to a negative EUR 4.2 billion, while for 2009 they totalled negative EUR 1.2 billion. Write downs in Collateralised Debt Obligations reduced by EUR 1.3 billion to EUR 0.2 billion. Please also refer to the section 'Credit market and related exposures' in this section for further information. Net trading income in 2008 includes additional

losses of approximately EUR 1.0 billion on trading counterparties including Lehman Brothers and Bernard L. Madoff which did not re-occur in 2009. The additional increase is as a result of improvement in the Global Markets equity business. The trading results in Asset and Liability Management increased by EUR 0.7 billion following mark-to-market gains on the liquidity portfolios.

- Results from financial transactions decreased from a loss EUR 1,518 million to a loss EUR 2,261 million. The decline is mainly attributable to losses on credit default swaps used to hedge the credit positions following a gradual tightening of the spreads in 2009. Losses on the hedges amount to EUR 1,754 million compared to EUR 1,330 million gains in 2008. The tightening credit spreads impacted the fair value gain on own credit, which reduced from EUR 482 million in 2008 to EUR 173 million in 2009. This was partially offset by lower losses and impairments of EUR 697 million in 2009 on the sales and transfers of credit portfolio and non-core assets, compared with a EUR 3,315 million loss in 2008.
- The share of result in equity accounted investments has decreased by EUR 74 million due to the impairment in an infrastructure investment entity in Asia.
- Other operating income decreased from a profit of EUR 54 million to a loss of EUR 284 million mainly due to the valuation adjustments on held for sale classification of the non strategic assets in Asia.

Operating expenses

Operating expenses decreased by EUR 1,261 million, or 22.1%, to EUR 4,457 million. This reflects a 17% reduction in headcount from 32,805 to 27,251 following the transfer of employees to RBS Group, continued redundancies and divestitures of non-core businesses. Related reductions in personnel costs including bonuses and general administrative expenses of EUR 1,103 million are partially offset by increased depreciation and goodwill impairments related to Asian operations held for sale.

Loan impairment and other credit risk provisions

Loan impairments and other credit risk provisions have reduced from EUR 2,609 million to EUR 1,621 million. The significant improvement comes mainly from a lower specific provision for LyondellBasell which amounted to EUR 1.1 billion in 2008 compared with EUR 0.5 billion in 2009.

Tax

The tax credit is affected by the non recognition of deferred tax assets on losses incurred in the Netherlands and the US.

Total assets

Total assets of the RBS acquired businesses reduced significantly due to the continued transfer of businesses and activity to RBS Group.

Total equity

Total equity allocated to the RBS acquired businesses decreased by EUR 0.6 billion mainly reflecting a net loss in 2009 of EUR 4.2 billion, a transfer of EUR 2.9 billion in equity to Central Items to cover the RBS Group allocation of accumulated losses and to support the remaining Shared Assets until such time that these are sold, redeemed or otherwise settled, offset by EUR 6.6 billion additional share premium from RFS Holdings.

Capital ratio

ABN AMRO has entered into two credit protection agreements with RBS plc based on the rules of the Asset Protection Scheme ('APS') which RBS plc has signed with HM Treasury. A guarantee agreement provides ABN AMRO with 100% protection over a specific portfolio of covered assets held at amortised cost and part of the RBS acquired businesses. A credit derivative agreement provides protection over a portfolio of derivatives part of the RBS acquired businesses. The risk weighted asset relief received under these credit protection agreements amounted to EUR 9.3 billion.

Results of operations for the years ended 31 December 2008 and 2007

The loss for the year increased by EUR 12,118 million to a loss of EUR 12,549 million. This reflects a decrease in operating income of EUR 12,403 million, a decrease in operating expenses of EUR 404 million, an increase in loan impairment and other credit risk provisions of EUR 2,263 million and a decrease in tax expenses of EUR 2,144 million.

Total income

Operating income decreased by EUR 12,403 million to a negative amount of EUR 6,664 million, mainly as a result of a decrease in net trading income of EUR 10,204 million, a decline in net fee and commission income of EUR 749 million and a decrease in results from financial transactions of EUR 1,709 million, partly offset by an increase in net interest income of EUR 383 million.

- Net interest income increased by EUR 383 million mainly due to the interest on the proceeds of the sale of LaSalle, higher revenues from commercial banking and higher interest on cash balances in treasury, both in the European region, and higher revenues in the global market, credit market and equities business, in the Americas region.
- Net fee and commission income decreased by EUR 749 million, due to lower results from the merger and acquisition business and lower revenues from equity derivative and strategy business.
- The decrease in net trading income includes credit market write-downs against asset backed securities (EUR 1.6 billion) and credit valuation adjustments against exposures to credit insurance counterparties (EUR 4.8 billion). For further information refer to our discussion on 'Credit market and related exposures' in this section. The negative revenue also includes losses arising on counterparty failures (approximately EUR 1.0 billion, including losses associated with the Lehman Brothers bankruptcy and the Bernard L. Madoff fraud). Furthermore, trading income was impacted by approximately EUR 500 million of losses due to a change in the valuation methodology of complex products that involve multiple unobservable inputs, such as correlation and interpolation, which have been adjusted to use the same estimation techniques as the ultimate parent company RBS Group. Trading income increases were noted in the Asian region, mainly due to higher results from local markets and global markets.
- The decrease in results from financial transactions is due mainly to the transfer of certain credit portfolios to RBS, including structured real estate loans, the notes held by the asset arbitrage conduit and the negative result on the transfer at fair value of the North America multi-seller conduits to RBS Group. Additionally the result has been impacted by negative valuation adjustments on equity investments including ABN AMRO's investment in a fund holding shares in Korean Exchange Bank. These negative results are partly offset by gains recorded on own debt held at fair value of approximately EUR 0.5 billion.
- Other operating income decreased by EUR 85 million, mainly due to the tax-exempt gains on the sale of ABN AMRO's 50% share in ABN AMRO Mellon Global Securities Services B.V. (EUR 139 million) included in the 2007 results.

Operating expenses

Operating expenses decreased by EUR 404 million, or 6.6%, to EUR 5,718 million, primarily as a result of lower performance related bonuses resulting from the decreased trading performance and a reduction in headcount. In 2008, operating expenses included a restructuring charge of EUR 657 million, compared with a restructuring release of EUR 39 million in 2007 (total increase of EUR 696 million).

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 2,263 million to EUR 2,609 million, mainly due to a provision relating specifically to LyondellBasell Industries (approximately EUR 1.1 billion) and further provisions related to global banking and markets, retail business, financial institutions and corporate clients.

Tax

The effective tax rate for 2008 is impacted by losses incurred in the year for which no deferred tax asset was recognised.

Total assets

Total assets of the RBS acquired businesses reduced significantly due to the continued transfer of businesses and activity to RBS Group.

Total equity

Total equity allocated to the RBS acquired businesses decreased by EUR 12.7 billion reflecting a net loss in 2008 of EUR 12.5 billion.

Dutch State acquired businesses

Selected information

The table sets out selected information relating to the Dutch State acquired segment for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Net interest income	2,994	3,223	3,440
Net fee and commission income	1,198	1,322	1,541
Net trading income	110	190	155
Results from financial transactions	299	181	37
Share of result in equity accounted investments	83	31	54
Other operating income	215	242	335
Income of consolidated private equity holdings	-	-	-
Total income	4,899	5,189	5,562
Operating expenses	3,796	3,786	3,610
Operating result	1,103	1,403	1,952
Loan impairment and other credit risk provisions	1,172	776	378
Operating profit/(loss) before tax	(69)	627	1,574
Tax	48	156	394
Profit/(loss) from continuing operations	(117)	471	1,180
Total assets	201,824	183,539	161,335
Total equity	4,277	7,045	3,587
Risk-weighted assets	74,973	91,718	86,913
Tier 1 capital ratio	10.18%	9.33%	n/a
Assets under Management (in billions of euros)	124	102	140
Full-time equivalent staff	22,308	23,040	23,593
Number of branches and offices	644	695	744
Efficiency ratio	77.5%	73.0%	64.9%

Results of operations for the years ended 31 December 2009 and 2008

The results for the year decreased by EUR 588 million to a loss of EUR 117 million. This included a decrease of EUR 290 million in operating income, an increase in operating expenses of EUR 10 million, an increase in loan impairments and other credit risk provisions of EUR 396 million and a decrease in income tax expenses of EUR 108 million.

Total income

Operating income decreased by EUR 290 million to EUR 4,899 million, mainly due to a decrease in net interest income, net fee and commission income, trading income and other operating income, partly offset by an increase in results from financial transactions and share of result in equity accounted investments.

- The decrease in net interest income is mainly due to interest margin pressure. The recovery in the interest rates in the Dutch deposit and saving markets started slowly after the first half year 2009.
- Net fees and commission income decreased, mainly due to lower average Asset under Management levels. Although the Asset under Management levels increased by EUR 22 billion to EUR 124 billion, the average Asset under Management levels were lower in 2009 compared to the average Asset under Management levels in 2008. The decrease is also due to fees paid on the purchased credit protection for a EUR 34.5 billion portfolio entered into in August 2009 on residential mortgages to strengthen the capital of Dutch State acquired businesses.

- The decrease in trading income is mainly due to a credit valuation adjustment charge of EUR 59 million for portfolio of interest rate derivatives in 2009 following a fair valuation methodology refinement.
- The increase in results from financial transactions resulted from the inclusion of a positive result on the unwinding of some capital management related guarantee transactions, sale of available-for-sale securities and gains recorded on repurchases of issued debt.

Operating expenses

Operating expenses increased by EUR 10 million to EUR 3,796 million, mainly due to the EUR 83 million deposit guarantee charge (charge of EUR 100 million related to the bankruptcy of the DSB bank, partly offset by a release of EUR 17 million for Icesave) and EUR 227 million restructuring costs compared with EUR 53 million deposit guarantee charge relating to Icesave and EUR 209 million restructuring costs in 2008. The restructuring

charge relates to integration and restructuring costs as well as costs related to the preparation for the sale resulting from EC Remedy.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 396 million to EUR 1,172 million predominantly due to specific provisions against the commercial loan portfolio and an increased level of incurred but not identified provisions on the basis of an assessment of the economic climate and the expected impairments.

Tax

The effective tax rate for 2009 includes an allocation of tax charges related to losses incurred in the Netherlands.

Total assets

Total assets of the Dutch State acquired businesses increased by EUR 18.3 billion primarily related to the purchase of high quality debt securities and an increase in the net receivable from the RBS acquired businesses and Central Items.

Total equity

Total equity allocated to the Dutch State acquired businesses decreased by EUR 2.8 billion mainly reflecting a net loss in 2009 of EUR 0.1 billion and a transfer of EUR 2.6 billion in equity to Central Items to cover the Dutch State's allocation of accumulated losses and to support the remaining Shared Assets until such time that these are sold, redeemed or otherwise settled.

Capital ratio

The capital ratio in 2009 benefited from entering into a number of capital actions. In July 2009 two capital actions were executed by means of the issue of a EUR 800 million Mandatory Convertible Tier-1 Security that was acquired by the Ministry of Finance and a Credit Default Swap transacted with the Ministry of Finance through which the Dutch State acquired businesses have purchased credit protection on a EUR 34.5 billion portfolio of own originated residential mortgages.

The capital actions of the Dutch State that were executed in December 2009, were for the benefit of the Dutch State acquired businesses and consisted of the issue of two Mandatory Convertible Securities. The first of these was issued by the former ABN AMRO Bank N.V. in the amount of EUR 967 million and has been demerged together with the assets and liabilities of the Dutch State acquired businesses in accordance with the legal demerger filing dated 30 September 2009 to the new ABN AMRO Bank. The second of these was in the amount of EUR 833 million and was issued directly by the new ABN AMRO Bank to cover expected losses in respect of the EC Remedy business disposal. This issuance has not yet contributed to the regulatory capital as at 31 December 2009. The estimated losses related to the EC Remedy are expected to be booked after legal separation in the new ABN AMRO Bank.

Results of operations for the years ended 31 December 2008 and 2007

Profit for the year decreased by EUR 709 million, or 60.1% to EUR 471 million. This was as a result of a decrease in operating income of EUR 373 million, an increase in operating expenses of EUR 176 million and an increase in loan impairment and other credit risk provisions of EUR 398 million, partially offset by a decrease in tax of EUR 238 million.

Total income

Operating income decreased by EUR 373 million, or 6.7%, to EUR 5,189 million, mainly due to a decrease in net interest income, net fee and commission income and other operating income, partly offset by an increase in results from financial transactions.

- Net interest income decreased by EUR 217 million, or 6.3%, mainly as result of the inclusion of a negative interest margin from the Group Asset and Liability Management portfolios economically allocated to the Dutch State from 1

April 2008, partly offset by interest revenues on the proceeds of the sale of Asset Management. Increased gross interest, resulting from higher mortgage volumes and commercial loans, did not compensate for the lower margins. Margins on deposits and savings also dropped due to the migration to higher yielding saving products and deposits.

- Net fees and commission income decreased by EUR 219 million, or 14.2%, mainly due to lower Assets under Management levels in the Private Clients business which decreased by EUR 38 billion to EUR 102 billion. This decline reflects a reduction in net new assets and lower asset values due to deteriorated financial markets in 2008.
- Results from financial transactions increased by EUR 144 million, reflecting a positive result on the unwinding of some capital management related guarantee transactions.
- Other operating income decreased by EUR 93 million, or 27.8%. The 2007 figures include the gain on the sale of some branches and offices.

Operating expenses

Operating expenses increased by EUR 176 million, or 4.9%, to EUR 3,786 million. The 2008 operating expenses include a restructuring charge of EUR 208 million, whilst in 2007 a restructuring allowance of EUR 48 million was released. The restructuring charge relates to integration and restructuring costs as well as costs related to the preparation for the possible sale resulting from the EC Remedy. Adjusted for the restructuring charge of EUR 208 million, operating expenses decrease by EUR 32 million, due to cost management actions throughout the year, partially offset by an increase in staff costs arising from a detailed review of staff related provisions and a provision for the estimated costs to ABN AMRO relating to the deposit guarantee scheme in the Netherlands.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 398 million, to EUR 776 million, mainly related to the small and medium enterprise portfolio.

Total assets

Total assets of the Dutch State acquired businesses increased by EUR 22.2 billion mainly representing the Dutch State acquired businesses allocation of the Group Asset and Liability Management portfolio previously accounted for in Central Items.

Total equity

Total equity allocated to the Dutch State acquired businesses increased by EUR 3.5 billion which included the gain on sale of Asset Management of EUR 3.1 billion and the profit from continuing operations for 2008.

Central Items

The Central Items segment includes items that are not allocated to but economically shared by the Consortium Members as well as settlement amounts accruing to Santander.

Selected information

The table sets out selected information relating to Central Items, for the years ended 31 December 2009, 2008 and 2007.

(in millions of euros)	2009	2008	2007
Net interest income/(expense)	(42)	57	(790)
Net fee and commission income	(1)	(51)	204
Net trading income/(loss)	3	(399)	(128)
Results from financial transactions	(250)	(311)	860
Share of results in equity accounted investments	7	66	120
Other operating income	77	10	765
Income of consolidated private equity holdings	-	-	-
Total income/(loss)	(206)	(628)	1,031
Operating expenses	140	490	1,419
Operating result	(346)	(1,118)	(388)
Loan impairment and other credit risk provisions	-	2	(7)
Operating profit/(loss) before tax	(346)	(1,120)	(381)
Tax	(132)	(304)	(586)
Profit/(loss) from continuing operations	(214)	(816)	205
Total assets (1)	8,776	11,073	175,389
Total equity (1)	9,311	4,127	8,516
Risk-weighted assets (1)	2,406	3,915	79,187
Full-time equivalent staff (1)	138	1,119	3,241
Number of branches and offices (1)	-	10	3,236
Efficiency ratio(2)	-	-	137.6%

(1) Including discontinued operations.

(2) Negative efficiency ratios have been excluded.

Results of operations for the years ended 31 December 2009 and 2008

The result for the year increased by EUR 602 million to a loss of EUR 214 million. This was as a result of a decrease in operating expenses of EUR 350 million, a decrease in loan impairments and other credit risk provisions of EUR 2 million, an increase in operating income of EUR 422 million and a decrease in income tax benefit of EUR 172 million.

Total income

Operating income increased by EUR 422 million to a loss of EUR 206 million, mainly due to a reduction in the loss incurred by Group Assets and Liability Management and the absence of a loss from our shareholding in Unicredit, which had resulted in a loss in 2008.

In the course of 2008, the majority of the Group Asset and Liability Management portfolios were allocated to the businesses acquired by the respective Consortium Members and hence the results are no longer recorded in Central

Items.

- Net interest income decreased by EUR 99 million, mainly due to the lower interest on the proceeds of the sale of businesses allocated to Santander partly offset by the transfer of Group Asset and Liability Management portfolios as explained above.
- The results from net trading income has increased by EUR 402 million, to nearly zero, mainly due to the transfer of Group Asset and Liability Management portfolios as noted above.
- Share of results in equity accounted investments has decreased by EUR 59 million resulting from lower profits reported by Saudi Hollandi Bank.

Operating expenses

Operating expenses have decreased by EUR 350 million to EUR 140 million, mainly due to the unwinding of the Central Items including the continued ramp down of the Group functions. The results in 2009 include EUR 3 million restructuring costs whereas 2008 include EUR 167 million restructuring costs.

Tax

The income tax net benefit of EUR 132 million reflects a release in tax provisions related to prior years' tax returns and tax credits recorded on deductible interest.

Total assets

Total assets of Central Items decreased by EUR 2.3 billion due to the continued ramp down of activities within the segment.

Total equity

Total equity allocated to Central Items increased by EUR 5.2 billion mainly due to the transfers of allocated equity from RBS Group and the Dutch State of EUR 2.9 billion and EUR 2.6 billion, respectively, to cover RBS Group's and the Dutch State's share of accumulated losses within this segment and to support the remaining Shared Assets until such time that these are sold, redeemed or otherwise settled.

Results of operations for the years ended 31 December 2008 and 2007

The result for the year decreased by EUR 1,021 million to a loss of EUR 816 million. This was as a result of a decrease in operating income of EUR 1,659 million, a decrease in operating expenses of EUR 929 million and a decrease in tax benefit of EUR 282 million.

Total income

Operating income decreased by EUR 1,659 million to a loss of EUR 628 million, mainly due to lower Group Asset and Liability Management results and lower results from our shareholding in Unicredit (approximately EUR 0.8 billion) that was fully divested in 2008. The results from the shareholding in Unicredit were negative in 2008. This was partly offset by the interest revenue on the proceeds of the sale of Banca Antonveneta and the sale of Banco Real accruing to Santander. The 2007 figures also include significant disposal gains.

In the course of 2008, the majority of the Group Asset and Liability Management portfolios have been allocated to the businesses acquired by the respective Consortium Members. Consequently the majority of the Group Asset and Liability Management results are no longer recorded in Central Items.

- Net interest income increased by EUR 847 million, mainly due to the interest on the proceeds of the sale of Banca Antonveneta and the sale of Banco Real and due to the transfer of Group Asset and Liability Management portfolios as explained above.
- The results from net fee and commission income decreased by EUR 255 million, mainly due to the transfer of Group Asset and Liability Management portfolios as explained above.
- The results from net trading income decreased by EUR 271 million, mainly due to the transfer of Group Asset and Liability Management portfolios as explained above.
- Results from financial transactions decreased by EUR 1,171 million, mainly due to lower results from our shareholding in Unicredit (approximately EUR 0.8 billion) driven by stock price developments prior to disposal in 2008.
- Other operating income decreased by EUR 755 million to EUR 10 million. The 2007 figures include the gain on the sale of ABN AMRO's stake in Capitalia which was settled in exchange for Unicredit shares (EUR 624 million) and the gain on the sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios managed in Switzerland and Luxembourg (EUR 77 million).

Operating expenses

Operating expenses decreased by EUR 929 million. The results in 2008 included a EUR 167 million restructuring charge, whereas 2007 included a restructuring release of EUR 14 million. Operating expenses in 2007 included a provision for the US Department of Justice investigation (EUR 365 million), transaction-related advisory fees (EUR

211 million), the break-up fee paid to Barclays (EUR 200 million), costs of accelerated vesting of share-based payments (EUR 117 million) and transition and integration costs (EUR 95 million).

Tax

Tax expense increased by EUR 282 million to a benefit of EUR 304 million, mainly due to deferred tax asset impairments, while 2007 included higher tax-exempt gains on disposals as well as a tax release.

Total assets

Total assets of Central Items decreased by EUR 164.3 billion due to the sale of Santander acquired businesses, including Banco Real and Banca Antonveneta, and the transfer of the Group Asset and Liability Management portfolio to the RBS and Dutch State acquired businesses during 2008.

Total equity

Total equity allocated to Central Items decreased by EUR 4.4 billion predominantly as a result of the capital distribution to Santander of EUR 19.2 billion partly offset by EUR 13.4 billion gain on sale of discontinued operations attributable to the Santander acquired businesses and the loss from continuing operations of EUR 0.8 billion.

Credit market and related exposures

Impact of the credit environment on ABN AMRO's financial position and results of operations

Explanatory note

The following disclosures provide information for certain of ABN AMRO's business activities affected by the unprecedented market events of 2008 and 2009 with a focus on trading and available-for-sale positions.

Throughout this section the following abbreviations have been used:

ABS	Asset-backed securities
CDO	Collateralised debt obligations
CDPC	Credit Derivative Product Company
CDS	Credit default swap
CLO	Collateralised loan obligations
CMBS	Commercial mortgage-backed securities
CVA	Credit valuation adjustment
RMBS	Residential mortgage-backed securities

Asset-backed exposure

The table below summarises the net exposures and balance sheet carrying values of ABS by measurement classification, followed by commentary on the products mentioned.

(in millions of euros)	Held for trading		Available-for-sale		Total ABS	
	31	31	31	31	31	31
	December	December	December	December	December	December
	2009	2008	2009	2008	2009	2008
Net exposure (1)						
RMBS	3,059	4,039	7,745	8,011	10,804	12,050
Residential mortgage covered bonds	-	-	10,870	10,858	10,870	10,858
CMBS	-	344	-	-	-	344
CDO & CLOs	-	853	200	327	200	1,180
Other ABS	20	257	2,443	3,375	2,463	3,632
Total	3,079	5,493	21,258	22,571	24,337	28,064
Carrying value (2)						
RMBS	3,059	4,096	7,745	8,011	10,804	12,107

Residential mortgage covered bonds	-	-	10,870	10,858	10,870	10,858
CMBS	-	592	-	-	-	592
CDOs & CLOs	-	4,224	200	327	200	4,551
Other ABS	20	257	2,443	3,375	2,463	3,632
Total	3,079	9,169	21,258	22,571	24,337	31,740

(1) Net exposure is the carrying value after taking account of hedge protection purchased from monolines and other counterparties. The hedge provides protection against the notional and interest cash flows in the event of default by the debt security counterparty.

(2) Carrying value is the amount recorded on the balance sheet.

The position in RMBS has decreased slightly in 2009. The held for trading position consists of prime European RMBS positions held as part of the RBS acquired Group Asset and Liability Management portfolios. The available-for-sale RMBS positions are part of the RBS acquired businesses and are backed by mortgages covered by the Dutch mortgage guarantee scheme and 98% of them were AAA rated at 31 December 2009.

96% of residential mortgage covered bonds were AAA rated at 31 December 2009. 99% of residential mortgage covered bonds were originated in Europe, of which 76% in Spain.

The CDO & CLO exposure decreased significantly due to transfers to RBS Group in the first half of 2009. As part of the transfer, all super senior CDO positions (31 December 2008: EUR 636 million) were sold to RBS Group. A loss of EUR 203 million was recognised on those positions in 2009 prior to the transfer. The remaining available-for-sale portfolio comprises of other senior CDOs (EUR 200 million), which are held in the RBS allocated Group Asset and Liability Management portfolios and were AAA rated at 31 December 2009.

The net exposure to ABSs backed by assets other than residential mortgages, such as sovereign or public entities debt, amounts to EUR 2.5 billion (31 December 2008: EUR 3.6 billion) and is mainly related to AAA European (43% Germany, 36% Spain) covered bonds held in the RBS acquired Group Asset and Liability Management portfolios. The decrease is mainly due to maturing of the papers and transfers to RBS.

Monoline exposure

The table below analyses ABN AMRO's holding of credit default swaps ('CDSs') with monoline counterparties.

	31 December 2009	31 December 2008
(in millions of euros)		
Gross exposure to monolines	2,913	5,278
Credit valuation adjustment	(2,107)	(2,822)
Hedges with bank counterparties (including an overlay swap with RBS Group)	(806)	(283)
Net exposure to monolines	-	2,173

The monoline insurer credit valuation adjustment ('CVA') is calculated on a trade-by-trade basis, and is derived using market observable monoline credit spreads. The perceived deterioration in the credit quality of the monolines has been reflected by ratings downgrades. Market observable credit spreads have widened with lower recovery rate assumptions and this has resulted in relatively increased levels of CVA being recorded against the exposures to these counterparties.

The net loss through trading income in 2009 amounts to EUR 1.3 billion and relates mainly to increased levels of CVA recorded against the exposures prior to entering into an overlay swap with RBS Group as well as the cost of the overlay swap with RBS Group thereafter. The EUR 806 million hedges with bank counterparties includes the overlay swap transacted with RBS Group which transfers the daily movement in the CVA between ABN AMRO and RBS Group for these trades. The mark-to-market of this swap with RBS Group was EUR 405 million in favour of RBS Group at 31 December 2009.

Credit derivative product companies exposure

The table below presents a comparison of the mark-to-market of the credit protection purchased and the CVA on the CDPC. The rating is based on the rating of the CDPC:

(in millions of euros)

	31 December 2009			31 December 2008		
	Notional amount reference assets	Mark to market	Credit valuation adjustment	Notional amount reference assets	Mark to market	Credit valuation adjustment
AAA / AA rated	-	-	-	6,547	1,282	256
A / BBB rated	694	12	4	4,646	954	335
Total	694	12	4	11,193	2,236	591

The decrease in the notional amount and the related CVA during 2009 was driven mainly by trade novations to RBS Group. The CVA on remaining positions decreased due to increases in the fair value of the insured assets.

The movement in the CDPC CVA is analysed below:

(in millions of euros)

Balance at 1 January 2009	591
(Profits)/Losses through income	(131)
Realised CVA on transfers to RBS Group	(492)
Foreign currency movement	36
Balance at 31 December 2009	4

Section 4 Risk and Capital Management

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SECTION 4 RISK AND CAPITAL MANAGEMENT

This risk and capital management section sets out the regulatory environment faced by ABN AMRO worldwide, explains how ABN AMRO manages risk and describes some of the risk factors affecting ABN AMRO which should be considered before making investment decisions.

Regulation and Supervision

Regulation and supervision in the Netherlands

General

ABN AMRO and its subsidiaries are regulated in the Netherlands by the Dutch Central Bank ('DNB') and the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten referred to as 'AFM').

ABN AMRO's regulatory system in the Netherlands is a comprehensive system based on the provisions of the Financial Supervision Act which came into effect on 1 January 2007. The Financial Supervision Act has replaced, amongst others, the Act on the Supervision of the Credit System 1992 without affecting the existing supervisory system.

The Financial Supervision Act sets out rules regarding prudential supervision (by the DNB) and supervision of conduct (by the AFM). Prudential supervision focuses on the solidity of financial undertakings and contributes to the stability of the financial sector. Supervision of conduct focuses on orderly and transparent financial market processes, clear relations between market participants and due care in the treatment of clients (including supervision of the securities and investment businesses).

ABN AMRO is a 'universal bank' under the terms of the Financial Supervision Act because it is engaged in the banking business as well as the securities business. Some of the provisions of the Financial Supervision Act may restrict a bank's ability to make capital contributions or loans to subsidiaries and to make distributions.

Prudential Supervision

Prudential supervision of credit institutions in the Netherlands is performed by the DNB under the Financial Supervision Act. No enterprise or institution established in the Netherlands may pursue the business of a credit institution unless it has obtained prior authorisation from the DNB. Its supervisory activities under the Financial Supervision Act focus on supervision of solvency, liquidity and administrative organisation, including risk management and internal control. If, in the opinion of the DNB, a credit institution fails to comply with the rules and regulations regarding the above mentioned subjects, the DNB will notify the credit institution and may instruct the credit institution to behave in a certain manner. If the credit institution does not respond to any such instructions to the satisfaction of the DNB, the DNB is allowed to exercise additional supervisory measures that may include the imposition of fines.

Prudential supervision also oversees calculation of significant intra-group agreements, adjusted solvency, calculation of capital adequacy and significant risk concentrations. It also determines the models used by the financial undertakings to report the calculations to the DNB. Finally, the regulation lays down reporting rules, for example reporting deadlines and reporting frequency.

Conduct of business supervision

The body responsible for carrying out this supervision in the Netherlands is the AFM.

Conduct-of-business supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial undertakings in dealing with clients.

The Financial Supervision Act provides that each supervised credit institution must submit periodic reports to the DNB. In accordance with this requirement ABN AMRO files quarterly and monthly reports with the DNB. At least one submission for each given year must be certified by an external auditor. The report to be certified is selected by an external auditor at his or her discretion.

On 1 July 2008 a decree pursuant to the Financial Supervision Act was extended to incorporate the requirements for eligibility of covered bonds. Dutch issuers of covered bonds now have the facility to register their programs with the DNB. The new legislation is designed to protect the interest of covered bondholders through special supervision by the DNB of the recognised covered bond programs. An issuer must comply with several conditions when submitting a program for recognition and demonstrate compliance to these conditions through the provision of specific documentation and information. Once a program is registered, the issuer will have ongoing administration and reporting obligations to adhere to.

As at 14 August 2009 the Covered Bond programme of the new ABN AMRO Bank N.V became eligible under the new legislation and the outstanding covered bonds have been registered with the DNB.

Solvency supervision

Capital adequacy framework (Basel)

In 2004, the Basel Committee on Banking Supervision endorsed the publication of the 'International Convergence of Capital Measurement and Capital Standards: a Revised Framework', commonly referred to as Basel II. The Capital Requirements Directive, representing the translation of Basel II to EU legislation and replacing the Capital Adequacy Directive, was approved by the European Parliament in 2005. This acceptance by the European Parliament cleared the way in Europe for the implementation of the Capital Requirements Directive, with a published compliance date of 1 January 2008.

The implementation process of Basel II into Dutch legislation (Financial Supervision Act) and regulation was completed in December 2006 when the DNB published its supervisory rules. The compliance date in the European Union was 1 January 2008.

Basel II provides three approaches of increasing sophistication to the calculation of credit risk capital: the Standardised Approach, the Internal Ratings Based Foundation Approach, and the Internal Ratings Based Advanced Approach. Basel II also introduces capital requirements for operational risk for the first time. Basel II is structured around the three following 'pillars'.

Pillar 1 sets out minimum regulatory capital requirements, that is, the minimum amount of capital banks must hold against credit, operational and market risks.

Pillar 2 sets out the key principles for supervisory review of an institution's risk management framework and, ultimately, its capital adequacy. It sets out specific oversight responsibilities for the Board and senior management, thus reinforcing principles of internal control and other corporate governance practices. Pillar 2 requires that the institutions conduct an internal capital adequacy assessment process.

Pillar 3 aims to bolster market discipline through enhanced disclosure by banks.

ABN AMRO's transitional agreement and current compliance with the Basel II capital adequacy framework

ABN AMRO is fully owned by RFS Holdings which is controlled by the RBS Group, incorporated in the United Kingdom. Consequently, ABN AMRO is under the supervision of the United Kingdom Financial Services Authority (FSA) as its home regulator, and the DNB as its host regulator, for Basel II compliance. For all other matters the DNB remains the home regulator.

ABN AMRO, subsequent to its acquisition by RFS Holdings in October 2007, received approval for a transitional period from its host, as well as its home regulator, for compliance to Basel II capital rules. ABN AMRO has agreed with the DNB and the FSA to continue to report figures on the basis of Basel I until legal separation. In accordance with this, revised minimum requirements have been set for the Tier 1 and total capital ratios, including the

requirement to treat capital deductions in the same manner as required under Basel II. The minimum Tier 1 ratio required is 9% and the minimum total capital ratio is 12.5%. The stand alone banks have agreed plans with the DNB concerning Basel II compliance.

The solvency rules for Basel I require that ABN AMRO maintain a minimum level of total capital to support the risk-weighted total value of balance sheet assets and off-balance sheet items. These off-balance sheet items include guarantees, documentary credits, the credit equivalent of interest and currency-related contracts, unused portions of committed credit facilities with an original maturity of over one year, note issuance facilities and revolving underwriting facilities, as well as the market risk for financial instruments in the trading book. This minimum level of total capital is called the Capital Adequacy Ratio. The risk-weighting

considers the debtor's risk, which depends on the debtor's classification, whether or not security is provided, and the country of origin of the debtor.

For ABN AMRO, total capital consists of core capital (Tier 1 capital) and secondary capital (upper and lower Tier 2 capital). ABN AMRO is also permitted to maintain an additional form of regulatory capital, Tier 3 capital, to support the market risk of financial instruments in ABN AMRO's trading book and foreign exchange risk of all business activities. The amount of lower Tier 2 capital may not exceed 50% of the amount of Tier 1 capital, and the amount of Tier 2 capital included in total capital may not exceed the amount of Tier 1 capital. In addition, Tier 3 capital may not exceed 250% of the amount of Tier 1 capital that is necessary to support market and foreign exchange risk and the sum of Tier 2 and Tier 3 capital may not exceed Tier 1 capital. Goodwill and interests of more than 10% in non-consolidated banking and financial subsidiaries are deducted from Tier 1 capital and total capital.

Exposure supervision

The DNB has issued specific rules with respect to large exposures to a single borrower or group of interconnected borrowers, or in relation to certain other businesses that involve a concentration of risk. Large exposures generally include all assets and off-balance sheet items of a credit institution with respect to a single borrower or group of interconnected borrowers which exceed 10% of a credit institution's total capital. Large exposures must be reported once every quarter to the DNB. There is a limit of 25% of total capital for a single large exposure as part of the banking book. Trading book positions may exceed this limit subject to additional solvency requirements. The aggregate amount of all large exposures of a credit institution may not exceed 800% of its total capital.

Liquidity supervision

Banks are required to report on a consolidated level on their liquidity position to the DNB monthly, on the basis of the liquidity supervision directive. The liquidity directive seeks to ensure that banks are in a position to cope with an acute short term liquidity shortage under the assumption that banks would remain solvent. In principle, the DNB liquidity directive covers all direct domestic and foreign establishments (subsidiaries/branches), including majority participations. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under committed facilities.

The directive places emphasis on the short term in testing the liquidity position over a period of up to one month with a separate test of the liquidity position in the first week. For observation purposes, several additional maturity bands are included in the liquidity report (one to three months, three to six months, six months to one year and beyond one year).

Available liquidity must always exceed required liquidity. Available liquidity and required liquidity are calculated by applying weighting factors to the relevant on- and off-balance sheet items, i.e. irrevocable commitments. The liquidity test includes all currencies. Compliance reports concerning liquidity requirements of foreign subsidiaries are submitted to the appropriate foreign regulatory authorities as required. At a consolidated level, and in every country in which ABN AMRO operates, ABN AMRO adheres to the liquidity standards imposed by the applicable regulatory authorities.

As a result of the current turbulent times the DNB has required more frequent liquidity information from the banks with a shorter maturity bands. These reports are submitted on a weekly basis.

Structural supervision

Pursuant to the Financial Supervision Act, banks are prohibited to hold, acquire or increase a qualifying holding or exercise any control relating to a qualifying holding in a bank in the Netherlands, except if it has obtained a Declaration of No Objection ('DNO') from the DNB (or in certain specified cases from the Dutch Minister of Finance). Qualifying holding means a participation of at least 10% in the issued share capital of the related voting rights or similar influence. The DNO would be issued unless the qualifying holding in the bank concerned would lead to an

influence which might jeopardise sound and prudent operations or the qualifying holding could or would lead to an undesirable development of the financial sector.

The DNB or the Dutch Minister of Finance can, on request, grant so-called bandwidths, umbrella and group-DNOs in respect of qualifying holdings. A DNO is not required in case of a qualifying holding by a bank in a company whose assets consist of more than 90% liquid assets.

According to Dutch regulation a DNO will not be issued regarding qualifying holding by a bank in a non-financial institution if the value of the equity participation would exceed 15% of a bank's regulatory capital and if the participation would cause the value of the bank's aggregate qualifying holdings in non-financial institutions to exceed 60% of its regulatory capital. Certain types of participations will be approved in principle, although in certain circumstances a DNO will have a limited period of validity, such as in the case of a debt rescheduling or rescue operation or when the participation is acquired and held as part of an issue underwriting operation. Generally the approval will be given where the value of the non-financial institution concerned or the value of the participation does not exceed certain threshold amounts.

Supervision of the securities and investment businesses

ABN AMRO is also subject to supervision of its activities in the securities business. The Financial Supervision Act, which has replaced the Act on the Supervision of the Securities Trade 1995 together with the decrees and regulations promulgated thereunder, provides a comprehensive framework for the conduct of securities trading in or from the Netherlands. The AFM is charged by the Dutch Minister of Finance with supervision of the securities industry.

Regulation and supervision in the European Union

The Financial Services Action Plan 1999-2005 has laid the foundation for a single financial market in the EU and has brought about many changes (both directive and regulations) aimed at increasing integration and harmonisation in the European market for financial services. The financial services sector includes three major areas for which European regulatory policies apply: banking, capital markets, and asset management.

The Consolidated Banking Directive of the European Parliament and of the European Council of 20 March 2000 lays down rules concerning the taking up and pursuit of the business of credit institutions and their prudential supervision. Under this Directive, a bank can offer banking on the basis of a single banking licence ('European passport') through the establishment of a branch or cross-border provision of services in all the EU countries.

A new capital requirements framework that updates the Consolidated Banking Directive was adopted in June 2006 as the Capital Requirements Directive. The Capital Requirements Directive is the legal instrument pursuant to which the Basel II framework has been implemented in EU law. The Capital Requirements Directive lays down the capital adequacy requirements applying to investment firms and credit institutions. Refer to Solvency supervision section for more information.

In October 2008, the Commission adopted proposals to amend the Capital Requirements Directive in light of the financial crisis. Proposals address items such as large exposures, supervisory arrangements and crisis management and securitisation. In another action taken in response to the crisis, in October 2008, the Commission adopted a proposal for amendments to the Deposit Guarantee Schemes Directive. In December 2008, the European Parliament adopted in first reading, (i) an increased minimum cover level from EUR 20,000 to EUR 50,000 with a further increase to EUR 100,000 by 31 December 2010 and (ii) a reduction in the payout time. In the Netherlands, the maximum cover was already increased earlier to an amount of EUR 100,000 as a result of the financial crisis. Also refer to the Solvency supervision section for more information.

In the area of securities legislation, the Market Abuse Directive prohibits market manipulation and insider dealing in all securities admitted to trading on an EU regulated market. This Directive was reviewed in 2009. The Prospectus Directive that regulates the process and the disclosure requirements for public offerings in and admissions to trading on an EU regulated market of securities, and allows European public offerings with one single prospectus, has also been reviewed last year. The Transparency Directive harmonises the transparency requirements for information about issuers whose securities are admitted to trading on an EU regulated market. This Directive was implemented in the Netherlands as of 1 January 2009.

The other important piece of legislation in this area is the Markets in Financial Instruments Directive, which came into force in various EU countries on 1 November 2007. It regulates amongst others the cross-border provision of investment services and regulated markets and replaces the 1993 Investment Services Directive which established the single passport for investment firms. The Markets in Financial Instruments Directive provides a harmonised regime for investment services and aims at increasing competition and reinforcing investor protection. The Directive provides a passport for investment firms, enabling them to conduct cross-border activities and establish branches throughout Europe on the basis of authorisation from their home country regulator. It streamlines supervision on the basis of home country control and enhances the

transparency of markets. It harmonises conduct of business rules, including best execution, conflicts of interests and client order handling rules. The Directive abolishes the concentration rule, and thus leads towards a more competitive regime between order execution venues. It also imposes market transparency rules for investment firms, regulated markets and multilateral trading systems for both pre- and post-trading for equities.

For post-trading, the European Commission has directed the industry to agree on a Code of Conduct for Clearing and Settlement, which was signed by the stock exchanges in November 2006. The Code aims at enhancing price transparency and increasing competition across the EU post-trading market. In April 2008, the Commission adopted a proposal to amend the Financial Collateral Arrangements Directive and the Settlement Finality Directive. The proposal strengthens the protection of settlement systems and financial collateral arrangements and enables them to adapt to the new market conditions created by the Markets in Financial Instruments Directive and the Code of Conduct for Clearing and Settlement.

Likewise, political initiatives in the area of retail financial services and payment services have been launched. In April 2008, the EU institutions adopted a Directive on Consumer Credit. The Directive covers personal loans of between EUR 200 and 75,000 repayable after more than one month. The Directive introduces consumer protection provisions and at the same time aims at the creation of a single market for consumer credit in the EU. The most significant changes are with respect to (i) the provision of standardised pre-contractual and contractual information; (ii) the right of withdrawal; (iii) early repayment, and (iv) the standardisation of methods for calculating the annual percentage rate of charges. Mortgages and deferred debit cards are explicitly excluded from the Directive's scope. The Directive came into force on 11 June 2008 and EU Member States will have two years to incorporate the new rules into their national legislation. In respect of mortgage credit, the European Commission adopted a White Paper on the Integration of EU Mortgage Markets. The White Paper presents measures to improve the efficiency and the competitiveness of these markets. The Commission is consulting with stakeholders on the best approach to deliver the necessary added value.

In November 2008, the European Banking Industry Committee, a committee of the European Commission, adopted the industry's voluntary code of conduct for switching accounts within the same country, the Bank Account Switching Common Principles. On 1 November 2009 these Principles were agreed upon by the European banking sector associations and came into force throughout the European Union.

In October 2007, the EU institutions formally adopted the Payment Services Directive. This Directive will open up the payment services to competition from new licensed payments institutions and increase consumer protection by introducing information requirements and uniform operational rules for payment service providers. This Directive, applicable in the EU to all payments in Euro and other Member States currencies, lays the basis for the creation of a Single Market in payments and constitutes the legal framework for the Single Euro Payments Area. The Payment Services Directive was implemented in the Financial Supervision Act on 1 November 2009. On 28 January 2008, the SEPA Credit Transfer Scheme went live, thus completing the first phase of the Single Euro Payments Area which is scheduled to be fully operative by 2010. In October 2008, the Commission adopted a proposal for a new regulation replacing Regulation 2560/2001 on cross-border payments in Euro. The proposal aims at extending the principle of equality of charges to direct debits, enhancing consumer protection and reducing the burden of statistical reporting.

In October 2008, the Commission proposed a new e-money Directive to facilitate take-up in the e-money market. The proposal was adopted by the European Parliament and has been published in the Official Journal of the European Union as of 10 October 2009.

In the area of asset management, the EU has enacted legislation on pension and investment products. On investment funds, there are two Undertakings for Collective Investment in Transferable Securities Directives ('UCITS'), the first regulating the product (e.g. types of assets in which to invest) and the second one giving management companies a 'European passport' to operate throughout the EU. The Commission initiated a review of the UCITS framework with the aim of increasing the efficiency of the European investment fund industry. The Committee of European Securities

Regulators ('CESR') has drawn up a technical advice to the European Commission on level 2 measures relating to mergers of UCITS, master-feeder UCITS structures and cross-border notification of UCITS. In the field of supplementary pensions, a Directive has liberalised the market for supplementary pension schemes by allowing pension providers to operate on an EU-wide basis and establishing 'prudent person principles' for asset allocation.

The third Anti-Money Laundering Directive, adopted in November 2005, was required to be implemented into national law of Members States by December 2007. The aim of the Directive is to transpose the Financial Action Task Force's forty recommendations. It follows a risk-based approach under which all measures aimed at preventing money laundering must be applied on a proportionate basis, depending on the type of customer, business and other considerations. On 1 August 2008 the Act on Anti-Money Laundering and against Financing of Terrorism came into force.

On 1 January 2007, the Regulation which transposes the Financial Action Task Force Special Recommendation VII (SR VII) on 'wire transfers' into EU legislation came into force. It lays down rules on information on the payer accompanying transfers of funds, in order to allow basic information to be immediately available to the authorities responsible for combating money laundering and terrorist financing.

On 12 November 2008, the European Commission published a Draft Regulation on credit rating agencies. The amended version of this Regulation was approved on 23 April 2009 by the European Parliament and the Final Regulation has been approved on 16 September 2009.

Regulation and supervision in the United States

ABN AMRO's operations in the United States are subject to extensive regulation and supervision by both federal and state banking authorities. ABN AMRO is a bank holding company within the meaning of the US Bank Holding Company Act of 1956, which restricts its non-banking activities in the United States, however, ABN AMRO elected to become a financial holding company on 11 March 2000, and as such is permitted to engage in an expanded range of non-banking activities subject to applicable laws and regulations.

Reform proposals and pending legislation in the United States could result in ABN AMRO becoming subject to heightened regulatory requirements, including stricter capital requirements and leverage limits and activities restrictions.

Regulation and supervision in the rest of the world

Our operations elsewhere in the world are subject to regulation and control by local supervisory authorities, and our offices, branches and subsidiaries in such jurisdictions are subject to certain reserve, reporting and control and other requirements imposed by the relevant central banks and regulatory authorities.

Risk Management

Risk management and capital adequacy

ABN AMRO has implemented a combination of advanced and standardised approaches for Credit, Market and Operational risks as allowed under the regulatory framework and is using this in the management of its business. With regards to market risk, ABN AMRO uses an internal Value at Risk ('VaR') model for calculating capital requirements for the majority of the trading book market risks. Refer to the ABN AMRO Risk Framework and Governance section of this report for further discussion of these risks.

Capital adequacy and risk management are closely aligned. ABN AMRO undertakes a regular assessment of its internal capital requirement based on a quantification of the material risks to which it is exposed. This assessment includes the use of stress tests to assess whether ABN AMRO's capital resources are adequate to remain above minimum requirements during specified scenarios. The results of this internal capital assessment are reviewed by the Policy Group Risk Committee ('Policy GRC') and the Group Asset and Liability Committee ('Group ALCO') and are used to ensure the adequacy of ABN AMRO's available capital resources, based on target and minimum capital requirements as set in the risk appetite framework. This framework is detailed further under the ABN AMRO Risk Framework and Governance section below.

The main risks facing ABN AMRO are:

- Credit risk: the risk arising from the possibility that ABN AMRO will incur losses from the failure of customers to meet their obligations.
- Funding and liquidity risk: the risk to earnings and capital arising from ABN AMRO's potential inability to meet its obligations as they fall due.
- Market risk: the risk ABN AMRO is exposed to because of positions held in its trading portfolios and its non-trading businesses. Market risk encompasses equity, currency, interest rate, commodity and market liquidity risks.
- Operational risk: the risk arising from ABN AMRO's people, processes, systems, physical assets and external events.
- Compliance and regulatory risk: the risk of legal or regulatory sanctions, material financial loss, or reputational harm ABN AMRO may suffer as a result of its failure to comply with relevant laws, regulation, principles and rules, standards and codes of conduct applicable to its activities in letter and spirit.
- Legal risk: the risk from failure to comply with statutory or regulatory obligations and from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, law or regulations.
- Financial reporting risk: the risk of a lack of fair presentation and as a result of material misstatements in one or more of the financial statement amounts or disclosures.
- Reputational risk: the risk of potential losses arising from negative public opinion.
- Business risk: the risk that operating income is lower than expected because of lower than expected revenues or higher than expected costs.

The Capital Management process is governed by the Group ALCO. The Group Asset and Liability Management ('ALM') function is responsible for the development and maintenance of ABN AMRO's ALM policies and prepares a monthly capital outlook for ABN AMRO and its separate parts. This comprises the hedging of capital invested in countries, managing capital ratios and the total capital requirement, and assessing new capital and debt issuance needs.

To ensure a smooth separation, management has adjusted the Group ALCO governance framework, aligning it with the creation of two new banks. It includes the allocation of appropriate capital and setting of liquidity and interest rate limits for each separate bank as part of the total capital and liquidity requirements.

Capital resources and minimum capital requirement information

ABN AMRO is fully consolidated for regulatory reporting within the RBS Group. Pillar 3 information for ABN AMRO is included within the RBS Group Pillar 3 disclosures. Detailed Pillar 3 reports which include ABN AMRO are available at www.rbs.com.

The table below summarises the capital position of the ABN AMRO Holding, complying with Pillar 3 disclosures for a significant subsidiary of an EU parent.

Regulatory capital resources as at 31 December

(in millions of euros)	2009	2008
Tier 1 Capital Resources		
Permanent share capital	1,852	1,852
Profit and loss account and other reserves	6,116	10,854
Share premium account	11,943	5,343
Intangible assets	(103)	(309)
Non-controlling interests	37	38
Core Tier 1 Capital	19,845	17,778
Perpetual non-cumulative preference shares	5,014	3,318
Other Tier 1 Capital	5,014	3,318
Excess limits for non innovative Tier 1 instruments	-	-
Excess limits for innovative Tier 1 instruments	-	-
Net losses on equities held in available-for-sale financial asset category	-	-
Material holdings	-	-
50:50 Tier 1 deductions	(1,485)	(1,943)
Total Tier 1 capital after deductions	23,374	19,153
Tier 2 Capital Resources		
Tier 2 capital instruments	8,060	7,924
50:50 Tier 2 deductions	(1,485)	(1,943)
Other Tier 2 deductions	-	-
Total Tier 2 capital after deductions	6,575	5,981
Total Tier 3 Capital	-	272
Deductions for Tiers 1 & 2 capital	-	-
Expected loss amounts and other negative amounts	-	-
Total capital resources after deductions	29,949	25,406
Total Risk-Weighted Assets	117,535	176,028
Tier 1 ratio	19.89%	10.88%
Total Tier ratio	25.48%	14.43%

The tables below set out the minimum capital requirements and associated risk weighted assets for ABN AMRO with separate disclosures for the credit risk, market risk and operational risk requirements. All figures are as at 31 December.

Minimum capital requirements

(in millions of euros)	2009	2008
Credit risk	7,554	11,282

Market risk	127	1,045
Operational risk	1,723	1,756
Total	9,404	14,083

Risk-weighted assets (in millions of euros)	2009	2008
Credit risk	94,410	141,011
Market risk	1,582	13,069
Operational risk	21,543	21,948
Total	117,535	176,028

Credit risk: minimum capital requirements by approach (in millions of euros)	2009	2008
Basel II – Advanced Internal Rating-Based ('IRB')	-	-
Basel II – Standardised	-	-
Basel II – using Basel I as a proxy	7,554	11,282
Total	7,554	11,282

Credit risk: standardised minimum capital requirements by standardised exposure class
(in millions of euros)

	2009			2008		
	Exposure value	Risk weighted assets	Minimum required capital	Exposure value	Risk weighted assets	Minimum required capital
Central governments and central banks	88,010	812	65	63,368	2,279	182
Institutions	68,172	8,250	660	129,414	10,815	865
Corporates	209,798	73,826	5,906	276,101	102,839	8,226
Retail	9,438	11,645	932	30,105	12,794	1,023
Secured by real estate property	95,391	14,158	1,133	66,485	22,459	1,797
Other (1)	46,745	(14,338)	(1,147)	83,431	(10,598)	(845)
Securitisation positions standardised approach	445	57	5	6,232	422	34
Total	517,999	94,410	7,554	655,136	141,010	11,282

(1) Includes capital relief on securitisation

The above minimum capital requirements are calculated on the basis of the standard minimum requirement of 8%, while ABN AMRO has agreed transitional minimum levels of regulatory capital with the DNB of 9% for tier 1 and 12.5% for total tier capital.

Market risk: trading book and other business minimum capital requirements
(in millions of euros)

	2009	2008
Total trading book capital requirements	127	1,045
Total trading book notional risk-weighted assets	1,582	13,069

Operational risk: minimum capital requirements calculated as per the basic indicator approach
(in millions of euros)

	2009	2008
Pillar 1 operational risk minimum capital requirement	1,723	1,756

The Risk Management and Capital Adequacy section also relates to the qualitative public disclosure as required by Basel II Pillar 3 in accordance with the Capital Requirement Directive.

ABN AMRO's risk framework and governance

ABN AMRO's risk management framework is based on 'the principle of three lines of defence'. The first line of defence is the business, which is accountable for the ownership, day-to-day management and control of all risks at an operational level and for implementing processes and testing key controls in compliance with Group policies. The second line of defence is Group Functions, primarily consisting of Group Risk Management, Group Compliance, Group Legal and Group Finance including Group Asset and Liability Management. These functions are responsible for the implementation and maintenance of the operational risk framework, tools and methodologies, and for oversight and challenge on the adequacy of the risk and control processes operating in the business. The third line of defence is Group Audit, which is responsible for independently assessing the adequacy and effectiveness of key controls and ensuring compliance with ABN AMRO policies.

Following its acquisition by RFS Holdings, ABN AMRO is subject to the RBS Group's high level controls and oversight by RBS Group's control functions. Although its risk systems are not yet integrated with those of the RBS Group, data relating to ABN AMRO is presented on a consistent basis as part of RBS Group data. ABN AMRO data is analysed between businesses acquired by RBS Group and those acquired by the Dutch State. A number of RBS Group risk policies and methodologies have been rolled-out in the RBS acquired businesses in 2009.

The main responsibilities of Group Risk Management and the risk management functions of the businesses are to:

- oversee all credit, market and operational risk matters and ensure compliance with local laws;
- implement review and control policies on all risk portfolios;
- at portfolio level manage concentrations by setting limits;
- manage single event / single obligor risk by setting limits;
- set provisions for loan losses within their delegated authority; and