ABN AMRO HOLDING N V
Form 20-F
April 02, 2007

As filed with the Securities and Exchange Commission on 2 April 2007

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

FORM 20-F

(Mark One)

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended 31 December 2006
OR

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

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**
Ordinary Shares of ABN AMRO Holding N.V.(1)	New York Stock Exchange
American Depositary Shares, each representing one Ordinary Share of ABN AMRO Holding N.V.	New York Stock Exchange
Guarantee of 5.90% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust V	New York Stock Exchange

Guarantee of 6.25% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VI	New York Stock Exchange
Guarantee of 6.08% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VII	New York Stock Exchange
5.90% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust V	New York Stock Exchange
6.25% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VI	New York Stock Exchange
6.08% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VII	New York Stock Exchange

(1) Not for trading, but only in connection with the registration of American Depositary Shares representing such Ordinary Shares pursuant to the requirements of the Securities and Exchange Commission.

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

The number of outstanding shares of ABN AMRO Holding N.V.'s classes of capital or common stock as of 31 December 2006 was:

Title of Class	**Number of Shares Outstanding**
Ordinary Shares (EUR 0.56)	1,853,786,791
Convertible Financing Preference Shares (EUR 0.56)	1,369,815,864
Formerly Convertible Preference Shares (EUR 2.24)	44,988
Non-cumulative Guaranteed Trust Preferred Securities	131,400,000

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

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 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.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 x

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. 333-81400, 333-84044, 333-128621, 333-128619, 333-127660 and 333-74703, the registration statements on Form F-3 with Registration Nos. 333-137691 and 333-104778 and the registration statement on Form F-4 with Registration No. 333-108304.

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CERTAIN DEFINITIONS

As used herein, "Holding" means ABN AMRO Holding N.V. The terms "ABN AMRO," "us," "we," "our company" or "the ba refer to Holding and its consolidated subsidiaries. The "Bank" means ABN AMRO Bank N.V. and its consolidated subsidiaries.

As used herein, "Euro", "euro" or "EUR" refers to Euros and "US$", "USD" or "$" refers to US dollars.

PRESENTATION OF INFORMATION

Holding was incorporated under Dutch law on 30 May 1990. Holding owns all of the shares of the Bank, and itself has no material operations. Our consolidated financial statements include condensed financial information with respect to the Bank, which itself had total assets of EUR 987.1 billion as of 31 December 2006. As of that date and for the year then ended, the Bank accounted for approximately 100% of our consolidated assets, consolidated total revenue and consolidated net profit.

Unless otherwise indicated, the financial information contained in this annual report on Form 20-F has been prepared in accordance with International Financial Reporting Standards or "IFRS" which, as disclosed in Note 50 to our consolidated financial statements, vary in certain significant respects from accounting principles generally accepted in the United States, or "US GAAP".

A body of generally accepted accounting principles such as US GAAP or IFRS is commonly referred to as "GAAP". A "non-GAAP financial measure" is generally defined by the United States Securities and Exchange Commission (the "SEC") as one that measures historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. This report presents certain non-GAAP financial measures as a result of excluding the consolidation effects of our private equity holdings. In accordance with applicable rules and regulations, we have presented definitions and reconciliations of non-GAAP financial measures to the most comparable GAAP measures in Item 5 "Operating and Financial Review and Prospects" of this report. The non-GAAP financial measures described herein are not a substitute for GAAP measures, for which management has responsibility.

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.

EXCHANGE RATES

The following table shows, for the years and months indicated, certain information regarding the Noon Buying Rate in the City of New York for cable transfers in Euros as certified for customs purposes by the Federal Reserve Bank of New York expressed in US dollar.

Period	At Period End(1)	Average Rate(2)	High	Low
		(Value of 1 USD in Euro)		
2001	1.12	1.12	1.19	1.05
2002	0.95	1.06	1.16	0.95
2003	0.79	0.89	0.97	0.79
2004	0.74	0.81	0.85	0.73

2005	0.84	0.80	0.74	0.86
September 2006	0.79	0.79	0.79	0.78
October 2006	0.78	0.79	0.80	0.78
November 2006	0.75	0.78	0.79	0.75
December 2006	0.76	0.76	0.76	0.75
January 2007	0.77	0.77	0.77	0.75
February 2007	0.76	0.76	0.77	0.75
March 2007 (through 16 March 2007)	0.75	0.76	0.76	0.75

(1) The period-end rate is the Noon Buying Rate announced on the last day of the period.

(2) The average rate for each yearly period is the average of the Noon Buying Rates on the last day of each month during the year. The average rate for each monthly period is the average of the Noon Buying Rates of each day of the month.

The Noon Buying Rate on 16 March 2007, the latest practicable date, was 1 USD = EUR 0.75.

These rates are provided solely for your convenience and are not necessarily the rates used by us in preparation of our consolidated financial statements or in financial data included elsewhere in this report, such as the unaudited translation into USD of the figures as of or for the year ended 31 December 2006 provided for your convenience. We do not make any representation that amounts in USD have been, could have been, or could be converted into Euros at any of the above rates.

A significant portion of our assets and liabilities are denominated in currencies other than the Euro. Accordingly, fluctuations in the value of the Euro relative to other currencies, such as the US dollar, can have an effect on our financial performance. See “Item 5. Operating and Financial Review and Prospects - A. Operating results”. In addition, changes in the exchange rate between the Euro and the US dollar are reflected in the US dollar equivalent to the price of our Ordinary Shares on Euronext Amsterdam and, as a result, affect the market price of Holding’s American Depositary Shares, or American Depositary Shares, on the New York Stock Exchange. Cash dividends are paid by Holding in respect of Ordinary Shares in Euros, and exchange rate fluctuations will affect the US dollar amounts of the cash dividends received by holders of American Depositary Shares on conversion by JPMorgan Chase Bank of New York, the Depositary for the American Depositary Shares.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements included in this report are forward-looking statements. We also may make forward-looking statements in our other documents filed with the SEC, invitations to annual shareholders’ meetings and other information sent to shareholders, offering circulars and prospectuses, press releases and other written materials. In addition, our senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by the use of forward-looking terminology such as “believe”, “expect”, “may”, “intend”, “will”, “should”, “anticipate”, “Value-at-Risk”, or by the use of similar expressio variations on such expressions, or by the discussion of strategy or objectives. Forward-looking statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements.

In particular, this report includes forward-looking statements relating but not limited to management objectives, implementation of our strategic initiatives, trends in results of operations, margins, costs, return on equity, and risk management, including our potential exposure to various types of risk including market risk, such as interest rate risk, currency risk and equity risk. For example, certain of the market risk disclosures are dependent on choices about key model characteristics, assumptions and estimates, and are subject to various limitations. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future.

We have identified some of the risks inherent in forward-looking statements in “Item 3. Key Information - D. Risk factors” in this report. Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements in this report include, but are not limited to:

- general economic and business conditions in the Netherlands, the European Union, the United States, Brazil and other countries or territories in which we operate;
- changes in applicable laws and regulations, including taxes;
-

regulations and monetary, interest rate and other policies of central banks, particularly the Dutch Central Bank, the Bank of Italy, the European Central Bank, the US Federal Reserve Board and the Brazilian Central Bank;

- changes or volatility in interest rates, foreign exchange rates (including the Euro-US dollar rate), asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition and consolidation in the markets in which we operate, which may be influenced by regulation, deregulation or enforcement policies;
- changes in consumer spending and savings habits, including changes in government policies which may influence investment decisions;
- our ability to hedge certain risks economically;

- our success in managing the risks involved in the foregoing, which depends, among other things, on our ability to anticipate events that cannot be captured by the statistical models we use; and
- force majeure and other events beyond our control.

Other factors could also adversely affect our results or the accuracy of forward-looking statements in this report, and you should not consider the factors discussed here or in “Item 3. Key Information - D. Risk factors” to be a complete set of all potential risks or uncertainties. We have 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 accuracy any changes in economic or market conditions or in governmental policies and actions, it is difficult for us to anticipate the effects that such changes could have on our financial performance and business operations.

The forward-looking statements made in this report speak only as of the date of this report. We do not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and we do not assume any responsibility to do so. The reader should, however, consult any further disclosures of a forward-looking nature we may make in our annual reports on Form 20-F and our periodic reports on Form 6-K. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required because this document is filed as an annual report.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required because this document is filed as an annual report.

Item 3. KEY INFORMATION

A. Selected financial data

The selected financial data set forth below have been derived from our audited consolidated financial statements for the periods indicated. Our consolidated financial statements for each of the years ended 31 December 2006, 2005 and 2004 have been audited by Ernst & Young Accountants, independent auditors. The selected financial data is only a summary and should be read in conjunction with and are qualified by reference to our consolidated financial statements and notes thereto included elsewhere in this report and the information provided in “Item 5. Operating and Financial Review and Prospects”.

Our financial statements have been prepared in accordance with IFRS, which varies in certain respects from US GAAP. For a discussion of the significant differences and a reconciliation of certain IFRS amounts to US GAAP, see Note 50 to our consolidated financial statements. For selected financial data in accordance with US GAAP, see “—Selected Financial Data in Accordance with US GAAP” below.

Selected consolidated income statement

	For the year ended 31 December			
	2006 (1) (in millions of USD)	2006	2005 (in millions of EUR)	2004
Net interest income	13,371	10,575	8,785	8,525
Net fee and commission income	7,665	6,062	4,691	4,485
Net trading income	3,767	2,979	2,621	1,309
Results from financial transactions	1,374	1,087	1,281	905
Share of result in equity accounted investments	307	243	263	206
Other operating income	1,747	1,382	1,056	745
Income of consolidated private equity holdings	6,718	5,313	3,637	2,616
Operating income	34,948	27,641	22,334	18,791
Operating expenses	26,189	20,713	16,301	15,180
Loan impairment and other credit risk provisions	2,345	1,855	635	607
Total expenses	28,534	22,568	16,936	15,787
Operating profit before tax	6,414	5,073	5,398	3,004
Income tax expense	1,140	902	1,142	715
Profit from continuing operations	5,274	4,171	4,256	2,289
Profit from discontinued operations net of tax	770	609	187	1,651
Profit for the year	6,044	4,780	4,443	3,940
Attributable to shareholders of the parent company	5,961	4,715	4,382	3,865
Dividends on ordinary shares	2,722	2,153	2,050	1,665
Per share financial data				
Average number of ordinary shares outstanding (in millions)	-	1,882.5	1,804.1	1,657.6
Net profit per ordinary share (in EUR)	-	2.50	2.43	2.33
Fully diluted net profit per ordinary share (in EUR)	-	2.49	2.42	2.33
Net profit per ordinary share from continuing operations (in EUR)	-	2.18	2.33	1.34
Fully diluted net profit per ordinary share from continuing operations (in EUR)	-	2.17	2.32	1.34
Dividend per ordinary share (in EUR)	-	1.15	1.10	1.00
Net profit per American Depositary Share (in USD)(2)(3)	-	3.16	3.01	2.91
Dividend per American Depositary Share (in USD)(2)(4)	-	1.50	1.34	1.27

(1) Amounts in this column are unaudited. Solely for your convenience, Euro amounts have been translated into US dollars at an exchange rate of 1 USD = EUR 0.7909, which is the rate equal to the average of the month-end rates for 2006.

(2) Adjusted for increases in share capital, as applicable. See Note 13 to our consolidated financial statements for a description of the computation of earnings per ordinary share.

(3) This item has been translated into US dollars at the rate equal to the average of the month-end rates for the applicable year.

(4) Solely for your convenience, this item has been translated into US dollars at the applicable rate on the date of payment, other than for the 2006 final dividend, which has been translated into US dollars at the March 16, 2006 exchange rate of 1 USD = EUR 0.7515, the latest practicable date for which information is available.

Selected consolidated balance sheet data

	At 31 December			
	2006(1)	**2006**	**2005**	**2004**
	(in millions of USD)		**(in millions of EUR)**	
Assets				
Financial assets held for trading	271,283	205,736	202,055	167,035
Financial investments	165,327	125,381	123,774	102,948
Loans and receivables - banks	177,772	134,819	108,635	83,858
Loans and receivables - customers	584,476	443,255	380,248	320,022
Total Assets	1,301,543	987,064	880,804	727,454
Liabilities				
Financial liabilities held for trading	191,677	145,364	148,588	129,506
Due to banks	247,882	187,989	167,821	133,529
Due to customers	477,838	362,383	317,083	281,379
Issued debt securities	266,418	202,046	170,619	121,232
Capitalization				
Equity attributable to shareholders of the parent company	31,115	23,597	22,221	14,815
Equity attributable to minority interests	3,030	2,298	1,931	1,737
Subordinated liabilities	25,334	19,213	19,072	16,687
Group capital	59,479	45,108	43,224	33,239
Per Share financial data				
Ordinary shares outstanding (in millions)	-	1,853.8	1,877.9	1,669.2
Equity attributable to shareholders of the parent company per ordinary share (in EUR)	-	12.73	11.83	8.88
Equity attributable to shareholders of the parent company per American Depositary Share (in USD)(2)	-	16.78	14.00	12.11

(1) Amounts in this column are unaudited. Solely for your convenience, Euro amounts have been translated into US dollars at an exchange rate of 1 USD = EUR 0.75838, which is the year-end rate for 2006.

(2) This item has been translated into US dollars at the applicable year-end rate.

Selected ratios

	At or for the year ended 31 December		
	2006	2005	2004
		(in percentages)	
Profitability Ratios			
Net interest margin(1)	1.1	1.1	1.2
Non-interest income to total operating income	61.7	60.7	54.6
Efficiency ratio(2)	74.9	73.0	80.8
Return on average total assets(3)	0.50	0.55	0.57
Return on average ordinary shareholders equity(4)	20.7	23.5	29.7
Capital Ratios			
Average Ordinary shareholders equity on average total assets	2.38	2.24	1.84
Dividend Payout ratio(5)	46.0	45.3	42.9
Tier 1 Capital Ratio(6)	8.45	10.62	8.46
Total Capital Ratio(6)	11.14	13.14	11.06
Credit Quality Ratios			
Provision for loan losses to private sector loans(7)	0.59	0.23	0.26
Provision for loan losses to private and public sector loans(7)	0.57	0.22	0.25
Non-performing loans to private sector loans (gross)(7)(8)	2.31	1.72	2.28
Non-performing loans to private and public sector loans (gross)(7)(8)	2.23	1.68	2.22
Allowance for loan loss to private sector loans(7)	1.15	1.09	1.36
Allowance for loan loss to private and public sector loans(7)	1.11	1.06	1.32
Allowance for loan losses to non-performing loans (gross) (10)	50.03	63.07	59.47
Write offs to private sector loans (gross)(7)	0.36	0.39	0.53
Write offs to private and public sector loans (gross)(7)	0.35	0.38	0.51
Consolidated ratio of earnings to fixed charges			
Excluding interest on deposits(9)	1.54	1.78	1.76
Including interest on deposits(9)	1.19	1.25	1.22

(1) Net interest income as a percentage of average total assets.

(2) Operating expenses as a percentage of total operating income.

(3) Profit for the year as a percentage of average total assets.

(4) 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.

(5) Dividend per Ordinary Share as a percentage of net profit per Ordinary Share.

(6) Tier 1 capital and total capital as a percentage of risk-weighted assets under Bank for International Settlements guidelines. For more information on our capital ratios, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources".

(7) Excludes professional transactions (2006: EUR 94 billion; 2005: EUR 75 billion; 2004: EUR 59 billion) because these primarily consist of reverse repurchase agreements with no credit risk and multi seller conduits (2006: EUR

26 billion; 2005: EUR 26 billion; 2004: EUR 24 billion).

(8) 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 is established. For more information on non-performing loans see "Item 5. Operating and Financial Review and Prospects—C. Selected statistical Information—Analysis of Loan Loss Experience: Provisions and Allowances for Loan Losses—Potential credit risk loans".

(9) Deposits include banks and total customer accounts.

(10) The decrease of the ratio is a result of the acquisition of Antonveneta. As a result of purchase accounting applied the loans of Antonveneta were consolidated at fair value, with the allowances for loan losses on (non-performing) loans embedded in the fair value. Therefore no allowances for loan losses were separately reported against these acquired non-performing loans at acquisition date.

Selected financial data in accordance with US GAAP

The following financial data in accordance with US GAAP illustrate the effect of reconciling items under US GAAP based on the IFRS balance sheet and income statement.

	For the year ended 31 December			
	2006(1)	**2006**	**2005**	**2004**
	(in millions of USD)	**(in millions of EUR, except per share data)**		
Income Statement Data				
Net interest income	11,430	9,040	8,565	8,886
Non-interest income	15,224	12,041	8,247	5,995
Total revenue	26,654	21,081	16,812	14,881
Operating profit before tax	6,345	5,018	3,246	2,447
Net profit	5,640	4,461	2,870	2,824
Balance Sheet Data				
Shareholders' equity	37,026	28,080	28,494	21,537
Minority interests	3,030	2,298	1,931	1,737
Total assets	1,289,731	978,106	876,366	725,172
Share Information				
Basic earnings per Ordinary Share (in EUR)		2.35	1.57	1.68
Diluted earnings per Ordinary Share (in EUR)		2.34	1.56	1.67
Basic earnings per American Depositary Share (in USD)(2)		2.97	1.94	2.09
Shareholders' equity per Ordinary Share (in EUR)		14.73	14.76	12.44
Shareholders' equity per American Depositary Share (in USD)(3)		19.43	17.47	16.97

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(1) Amounts in this column are unaudited. Solely for your convenience, Euro amounts have been translated into USD for income statement items at an exchange rate of 1 USD = EUR 0.7909, the rate equal to the average of the month-end rates for 2006, and for balance sheet items at an exchange rate of 1 USD = EUR 0.75838, the exchange rate on 31 December 2006.

(2) This item has been translated into US dollars at the rate equal to the average of the month-end rates for the applicable year.

(3) This item has been translated into US dollars at the applicable year-end rate.

Selected ratios in accordance with US GAAP

The following ratios in accordance with US GAAP illustrate the effect of reconciling items under US GAAP based on the IFRS balance sheet and income statement.

	At or for the Year Ended 31 December		
	2006	**2005**	**2004**
		(in percentages)	
Profitability Ratios			
Net interest margin	1.1	1.1	1.2
Non-interest revenue to total revenue	57.1	49.1	40.3
Efficiency ratio	76.2	80.7	83.6
Return on average total assets	0.47	0.35	0.40
Return on average ordinary shareholders' equity	15.6	11.3	13.9
Credit Quality Ratios(1)			
Provision for loan losses (net) to private sector loans (gross)(2)(3)	0.61	0.19	(0.08)
Provision for loan losses (net) to private and public sector loans (gross)(2)(3)	0.58	0.19	(0.08)
Non-performing loans to private sector loans (gross)(3)(4)	2.31	1.72	2.28
Non-performing loans to private and public sector loans (gross)(3)(4)	2.23	1.68	2.22
Allowances for loan losses to private sector loans (gross)(3)	1.33	1.28	1.61
Allowances for loan losses to private and public sector loans (gross)(3)	1.28	1.25	1.56
Allowances for loan losses to non-performing loans (6)	57.44	74.43	70.43
Write-offs to private sector loans (gross)(3)	0.36	0.39	0.53
Write-offs to private and public sector loans (gross)(3)	0.35	0.38	0.51
Consolidated Ratios of Earnings to Fixed Charges			
Excluding interest on deposits(5)	1.53	1.49	1.46
Including interest on deposits(5)	1.19	1.15	1.13

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(1) Excludes specific provision for sovereign risk (2004: EUR 13 million) as the exposure for this risk is primarily classified under securities.

(2) Includes release from the fund for general banking risks (2004: EUR 835 million).

(3) Excludes professional securities transactions (2006: EUR 94 billion; 2005: EUR 75 billion; 2004: EUR 59 billion) because these primarily consist of reverse repurchase agreements with no credit risk and multi seller conduits (2006: EUR 26 billion; 2005: EUR 26 billion; 2004: EUR 24 billion).

(4) 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 is established. For more information on non-performing loans see "Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information—Analysis of Loan Loss Experience: Provisions and Allowances for Loan Losses—Potential credit risk loans".

(5) Deposits include banks and total customer accounts.

(6)

The decrease of the ratio is a result of the acquisition of Antonveneta. As a result of purchase accounting applied the loans of Antonveneta were consolidated at fair value, with the allowances for loan losses on (non-performing) loans embedded in the fair value. Therefore no allowances for loan losses were separately reported against these acquired non-performing loans at acquisition date.

Dividends

Dividends on Ordinary Shares may be paid out of profits as shown in our consolidated financial statements, as adopted by the Supervisory Board and approved by the general meeting of shareholders, after the payment of dividends on preference shares and convertible preference shares and the establishment of any reserves. Reserves are established by the Managing Board subject to approval of the Supervisory Board.

Holding has paid an interim and final dividend for each of the last five years. The following tables set forth dividends paid in respect of the Ordinary Shares for 2006 through 2002.

Dividends	2006(1) USD	2006	2005 (in EUR)	2004
Interim dividend	0.70	0.55	0.50	0.50
Final dividend	0.80	0.60	0.60	0.50
Total dividend per Ordinary Share	1.50	1.15	1.10	1.00
Total dividends per share as a percentage of net profit per Ordinary Share	–	46.0%	45.3%	42.9%

(1) For your convenience, this item has been translated into US dollars at the applicable rate on the date of payment. The only one that is different is the 2006 final dividend, which has been translated into US dollars at the exchange rate of 1 USD = EUR 0.7515, the exchange rate on March 16, 2007.

The information for 2003 and 2002 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared in accordance with IFRS.

Dividends	2003 (in EUR)	2002
Interim dividend	0.45	0.45
Final dividend	0.50	0.45
Total dividend per Ordinary Share	0.95	0.90
Total dividends per share as a percentage of net profit per Ordinary Share	49.0%	64.7%

B. Capitalisation and indebtedness

Not required because this document is filed as an annual report.

C. Reason for the offer and use of proceeds

Not required because this document is filed as an annual report.

D. Risk Factors

Set forth below are certain risk factors that could have a material adverse effect on our future business, operating results or financial condition. You should carefully consider these risk factors and the other information in this document before making investment decisions involving our shares. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

Our results can be adversely affected by general economic conditions and other business conditions

Changes in general economic conditions, the performance of financial markets, interest rate levels, the policies and regulations of central banks or other business conditions may negatively affect our financial performance by affecting the demand for our products and services, reducing the credit quality of borrowers and counterparties, putting pressure on our loan loss reserves, changing the interest rate margin between our lending and borrowing costs, changing the value of our investment and trading portfolios and putting pressure on our risk management systems.

Changes in interest rate and foreign exchange rates may adversely affect our results

Fluctuations in interest rates and foreign exchange rates, particularly in our three home markets of the Netherlands, the United States Midwest and Brazil and in Italy where we have a significant presence, influence our performance. The results of our banking operations are affected by our management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material adverse effect on the financial condition of our business or results from operations. In addition, we publish our consolidated financial statements in euros. Fluctuations in the exchange rates used to translate other currencies into euros affect our reported consolidated financial condition, results of operations and cash flows from year to year.

For 2006, 14.9% of our operating income and 14.4% of our operating expenses were denominated in USD and 13.6% of our operating income and 10.2% of our operating expenses were denominated in Brazilian Real. For 2005, 18.5% of our operating income and 18.3% of our operating expenses were denominated in USD and 11.8% of our operating income and 10.1% of our operating expenses were denominated in Brazilian Real. For a discussion of how interest rate risk and foreign exchange rate fluctuation risk is managed, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk” as well as Note 39 to our consolidated financial statements.

Our performance is subject to substantial competitive pressures that could adversely affect our results of operations

There is substantial competition for the types of banking and other products and services that we provide in the regions in which we conduct large portions of our business, including the Netherlands, the United States and Brazil. The intensity of this competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. We expect competition to intensify as continued merger activity in the financial services industry produces larger, better-capitalised companies that are capable of offering a wider array of products and services, and at more competitive prices. In addition, technological advances and the growth of e-commerce have made it possible for non-depositary institutions to offer products and services that were traditionally banking products and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. If we are unable to provide attractive product and service offerings that are profitable, we may lose market share or incur losses on some or all of our activities.

Regulatory changes or enforcement initiatives could adversely affect our business

We are subject to banking and financial services laws and government regulation in each of the jurisdictions in which we conduct business. Banking and financial services laws, regulations and policies currently governing us and our subsidiaries may change at any time in ways which have an adverse effect on our business. If we fail to address, or appear to fail to address, these changes or initiatives in an appropriate way, our reputation could be harmed and we could be subject to additional legal risk. This could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. As previously reported, in July 2004 we signed a Written Agreement with the US regulatory authorities concerning our dollar clearing activities in the New York branch. In addition, in December 2005, we agreed to a Cease and Desist Order with the Dutch Central Bank and various US federal and state regulators. This involved an agreement to pay an aggregate civil penalty of USD 75 million and a voluntary endowment of USD 5 million in connection with deficiencies in the US dollar clearing operations at the New York branch and OFAC compliance procedures regarding transactions originating at the Dubai branch. See “Item 4. Information on the Company - B. Business overview - Legal and regulatory proceedings”. We and members of our management continue to provide information to law enforcement authorities in connection with ongoing criminal investigations relating to our dollar clearing activities, OFAC compliance procedures and other Bank Secrecy Act compliance matters. These compliance issues and the related sanctions and investigations have had, and will continue to have, an impact on the Bank's operations in the United States, including limitations on expansion. The Bank is actively exploring all possible options to resolve these issues. The ultimate resolution of these compliance issues and related investigations and the nature and severity of possible additional sanctions cannot be predicted, but regulatory and law enforcement authorities have been imposing severe and significant monetary and other penalties against a number of banking institutions for violations of the Bank Secrecy Act and related statutes.

There is operational risk associated with our industry which, when realised, may have an adverse impact on our results

We, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us, and to the risk that their business continuity and data security systems prove to be inadequate. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

For a discussion of how operational risk is managed see “Item 11. Quantitative and Qualitative Disclosures about Market Risk”.

We are subject to credit, market and liquidity risk, which may have an adverse effect on our credit ratings and our cost of funds

Our banking businesses establish instruments and strategies that we use to hedge or otherwise manage our exposure to credit, market and liquidity risk. To the extent our assessments of migrations in credit quality and of risk concentrations, or our assumptions or estimates used in establishing our valuation models for the fair value of our assets and liabilities or for our loan loss reserves, prove inaccurate or not predictive of actual results, we could suffer higher-than-anticipated losses. For more information relating to our credit ratings, refer to “Item 5. Operating and Financial Review and Prospects - B. Liquidity and capital resources”. Any downgrade in our ratings may increase our borrowing costs, limit our access to capital markets and adversely affect the ability of our businesses to sell or market their products, engage in business transactions - particularly longer-term and derivatives transactions - and retain our current customers. This, in turn, could reduce our liquidity and have an adverse effect on our operating results and financial condition.

Systemic risk could adversely affect our business

In the past, the general credit environment has been adversely affected by significant instances of fraud. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as ‘systemic risk’ and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis, and could have an adverse effect on our business.

Increases in our allowances for loan losses may have an adverse effect on our results

Our banking businesses establish provisions for loan losses, which are reflected in the loan impairment and other credit risk provisions on our income statement, in order to maintain our allowance for loan losses at a level that is deemed to be appropriate by management based upon an assessment of prior loss experiences, the volume and type of lending being conducted by each bank, industry standards, past due loans, economic conditions and other factors related to the collectability of each entity’s loan portfolio. For further information on our credit risk management, refer to “Item 11. Quantitative and Qualitative Disclosures about Market Risk”. Although management uses its best efforts to establish the allowances for loan losses, that determination is subject to significant judgment, and our banking businesses may have to increase or decrease their allowances for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons. Please also refer to the section "Accounting Policies" included in our consolidated financial statements. Any increase in the allowances for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on our results of operations and financial condition.

We depend on the accuracy and completeness of information about customers and counterparties

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of the customers and counterparties, including financial statements and other financial information. We also may rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

We are subject to legal risk, which may have an adverse impact on our results

It is inherently difficult to predict the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Changes in our estimates may have an adverse effect on our results. Please also refer to “Item 4. Information on the Company - B. Business overview - Legal and regulatory proceedings”.

Our ownership structure and the laws of the Netherlands may contain restrictions on shareholder rights and holders of American Depositary Receipts (ADRs) are not able to exercise certain shareholder rights

Our Articles of Association and the laws of the Netherlands may contain restrictions on shareholder rights that differ from US practice. For instance, a holder of ADRs is not treated as one of our shareholders and is not able to exercise certain shareholder rights. JPMorgan Chase, as Depositary, is the holder of our ordinary shares underlying the ADRs. An ADR holder will have those rights contained in the Deposit Agreement between us, the Depositary and the ADR holders. These rights are different from those of the holders of our ordinary shares, including with respect to the receipt of information, the receipt of dividends or other distributions and the exercise of voting rights. In particular, an ADR holder must instruct JPMorgan Chase to vote the ordinary shares underlying the ADRs. As a result, it may be more difficult for ADR holders to exercise those rights. In addition, there are fees and expenses related to the issuance and cancellation of the ADRs.

For a discussion of our ownership structure see “Item 10. Additional Information - B. Memorandum and Articles of Association”.

You may have difficulty enforcing civil judgments against us

Holding is organised under the laws of the Netherlands and the members of its Supervisory Board, with two exceptions, and its Managing Board are residents of countries outside the United States. Although some of our affiliates, including the Bank, have substantial assets in the United States, substantially all of the assets of Holding and of the members of the Supervisory Board and the Managing Board are located outside the United States. As a result, it may not be possible for investors to effect service of process upon Holding or upon these persons, or to enforce judgments of US courts predicated upon the civil liability provisions of US securities laws against Holding or these persons. The United States and the Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not be enforceable in the Netherlands. However, a Dutch court may, under current practice, recognise the final judgment that has been rendered in the United States and may grant the same claim without rehearing the merits under certain circumstances, unless the consequences of the recognition of such judgment would contravene public policy in the Netherlands.

Item 4. INFORMATION ON THE COMPANY

A. History and development of the company

Please refer to the accounting policies section of our consolidated financial statements.

Selected recent acquisitions and disposals

Please refer to Note 2 to our consolidated financial statements.

Recent developments

General Meeting of Shareholders

By letter dated 20 February 2007, The Children's Investment Fund ("TCI") requested us to put the following five motions on the agenda for our upcoming annual General Meeting of Shareholders on 26 April 2007: (i) portfolio break-up; (ii) return of capital; (iii) investigate a sale or merger of the Bank; (iv) reporting back to our shareholders in six months, and (v) acquisitions moratorium for the coming six months. As TCI holds more than 1% of our shares, it has the right under Dutch law to put items on the agenda of our annual General Meeting of Shareholders and we have honored its request. We do not believe that the interests of our shareholders would be best served by the mere short-term cash generation actions embodied in these proposals. We have recommended our shareholders to vote against the first two motions and, as we have already materially incorporated the last three motions in our plans, we see no need for our shareholders to vote in favour of these motions. At this time, we can neither determine the outcome of the shareholders' vote on TCI's motions nor whether any other shareholders may take an activist stance.

Barclays PLC

On 19 March 2007, we issued a joint statement with Barclays PLC that we are in exclusive preliminary discussions with respect to a potential merger of the two organisations. At this time it is not yet clear if our talks with Barclays PLC will ultimately lead to a merger proposal. If our discussions do not lead to a merger proposal, we will examine other sustainable alternatives including our standalone business case. If our talks do lead to a merger proposal, we will recommend it to shareholders without prejudice to compliance with our fiduciary duties and communicate the benefits to our shareholders. The ultimate outcome of these discussions will depend on the consultation with and the approvals of the multiple regulators and other stakeholders in the various jurisdictions.

Prime Bank

On 5 March 2007 we announced that we entered into agreements to acquire a 93.4% interest in Prime Bank from shareholders for a cash consideration of PKR 13.8 billion (EUR 172 million). In addition, we announced our intention to launch a tender offer for all remaining shares of Prime Bank from minority shareholders.

B. Business overview

Overview

We are a prominent international banking group offering a wide range of banking products and financial services on a global basis through our network of 4,532 offices and branches in 56 countries and territories as of year-end 2006. We are one of the largest banking groups in the world, with total consolidated assets of EUR 987.1 billion at 31 December 2006. We are listed on Euronext and the New York Stock Exchange.

Our Bank is the result of the merger of Algemeen Bank Nederland N.V. and Amsterdam-Rotterdam Bank N.V. in 1990. Prior to the merger, these banks were, respectively, the largest and second-largest bank in the Netherlands. Our Bank traces its origin to the formation of the Nederlandsche Handel-Maatschappij, N.V. in 1825, pursuant to a Dutch Royal Decree of 1824.

Group Strategy

As an international bank with European roots, ABN AMRO focuses on consumer, commercial, and private banking activities. Our business mix gives us a competitive edge in our chosen markets and client segments. Our clients are the prime beneficiaries of our relationship-based business approach, which we apply through our Business Units (BUs).

Our growth strategy is to build on ABN AMRO’s strong position with mid-market clients, and to provide clients in this segment with high-quality and innovative products and services from across the Group. In other words, our strategy is aimed at combining local client intimacy and global product excellence.

We serve our mid-market consumer and commercial clients - the bank’s ‘sweet spot’ client segments - primarily through our five regional Client BUs: the Netherlands, Europe (including Antonveneta in Italy), North America, Latin America and Asia.

The consumer mid-market segment includes mass affluent customers served by our regional Client BUs, as well as the majority of our private banking clients served by BU Private Clients. The commercial mid-market segment includes a significant number of medium-to-large companies and financial institutions served through our regional Client BUs.

These clients typically require a local banking relationship, an extensive and competitive product suite, an international network, efficient delivery, and, for corporates, sector knowledge. With our range of businesses and capabilities we can deliver on all of these requirements, in many cases uniquely so.

The dominance of the mid-market in our strategy does not diminish the importance of the top and bottom end of our client pyramid. In serving our top private banking clients, we are able to develop innovative investment products that can later be offered to our mid-market consumer clients as well. At the same time, serving large multinational corporations enables us to strengthen our industry knowledge and product innovation, both of which will eventually benefit our mid-market commercial clients. Both the mass retail segment and the small business segment deliver the necessary scale and act as a feeder channel for future mid-market clients.

We aim to continue to improve our strategic position by winning more clients in our chosen markets and client segments, and by making carefully targeted investments that enhance our corresponding product capabilities.
Our activities in Italy and the emerging markets in Europe and Asia are clear examples of how our growth strategy is applied.

The acquisition and integration of Antonveneta, a new part of ABN AMRO, was completed in 2006. This acquisition further increases our footprint in the promising Italian market. Meanwhile, the BUs Europe and Asia are successfully exploiting the attractive opportunities that are opening up in several emerging markets. BU Asia is focusing specifically on Greater China (encompassing the People’s Republic of China, Hong Kong and Taiwan), India, Pakistan, Singapore and Indonesia.

Our Business

In January 2006, ABN AMRO moved to reinforce its mid-market focus and realise the benefits of being one bank more effectively by adopting a new structure. This structure enables us to share expertise and operational excellence across the Group with greater impact.

ABN AMRO’s Group structure comprises:

- seven Client BUs
- three Product BUs
- two cross-BU Segments
- Group Functions
- Services

The seven Client BUs consist of five regional BUs (Netherlands, Europe including Antonveneta in Italy, North America, Latin America and Asia) and two global BUs, Private Clients and Global Clients.

The three Product BUs (Global Markets, Transaction Banking and Asset Management) support the Client BUs by developing and delivering products for all of our clients globally.

We bind all our Client BUs together through a cross-BU Consumer Client Segment and a cross-BU Commercial Client Segment. These Segments drive winning formulas across our various geographies, and work with the Product BUs to deliver high-quality solutions to clients.

Group Functions delivers value-added support across the Group in areas ranging from Risk to Finance and from Human Resources to Sustainability, while always balancing global control with local flexibility and expertise.

Services continues to focus on increasing our operational efficiency through Group-wide consolidation and standardisation.

As we are embedding and mainstreaming sustainable development in our daily business operations, various examples of how sustainability is applied are included in the description of our BUs.

As it is customary for ABN AMRO to share the financial results of its Private Equity business separately, a description of its operations is included as well.

For the financial results of the Group and each individual BU, please refer to “Item 5. Operating and Financial Review and Prospects”. The financial results of BU Global Markets and BU Transaction Banking are reported in the regional BUs.

Business Units

Client BUs

BU Netherlands

Serving a vast and diverse client base that comprises consumer and commercial clients, BU Netherlands is at the forefront of the Dutch banking industry. BU Netherlands employs approximately 21,800 people and serves its clients through a network of 561 bankshops, 78 advisory branches, five dedicated mid-market corporate client units and two large-corporate client units. BU Netherlands also operates some 1,600 ATMs, four integrated call centres, and internet and mobile channels. BU Netherlands’ call centres and internet banking services are now every bit as important as the advisory branches for serving its small to medium-sized enterprise (SME) clients.

Strategy, products and services

BU Netherlands’ aspiration is to become the primary bank for all its chosen clients. It aims to do this by delivering a service that makes a difference and is always personal, through every channel. In line with ABN AMRO’s mid-market strategy, BU Netherlands’ key competitive advantage lies with mass affluent individuals and SMEs. BU Netherlands is a fully integrated consumer and commercial bank offering a focused range of financial products and services. Alongside its own product capabilities, BU Netherlands actively uses product knowledge from the bank’s other BUs. In addition BU Netherlands offers insurance products provided by its joint venture with Delta Lloyd.

Through its integrated multi-channel service model, BU Netherlands provides clients with financial products and services 24 hours a day, seven days a week. In 2006, BU Netherlands’ enhanced operating model – consisting of Value Centre Consumer, Value Centre Commercial and centralised mortgage activities – led to a further improvement in its operational performance, which in turn enabled it to improve its client service still further.

The alignment of the Group structure with the bank’s strategy has brought benefits for BU Netherlands. In 2006, BU Netherlands was able to increase its product sales and number of clients by leveraging the current range of Global Markets products with SME and consumer clients. The resulting combination of improved service and wider product range led to improved client satisfaction. At the same time, BU Netherlands continued to operate special service concepts for targeted client segments, such as young professionals.

Looking at the interests of Dutch society as a whole, ABN AMRO recognises the importance of entrepreneurship in sustaining economic growth. To help entrepreneurs – especially those from disadvantaged backgrounds – to start businesses, BU Netherlands has developed a special 'StartersCoach' credit facility through which the bank not only provides credit to start-ups, but offers coaching from experienced entrepreneurs as well. BU Netherlands also believes that entrepreneurs who do not succeed the first time should have the opportunity to start again if they have a sound business plan. This is part of BU Netherlands' wider ambition to change Dutch society's generally negative view on so-called failed entrepreneurs.

Bouwfonds

Bouwfonds is an international property group with three core activities: developing, financing and managing property. The business is active in both the residential and commercial markets and ranks among the Netherlands' leading property companies.

In December 2005, ABN AMRO, in its capacity as Bouwfonds' sole shareholder, announced its intention to sell the non-mortgage activities of Bouwfonds during the course of 2006. With effect from 1 January 2006, Bouwfonds' mortgage business was transferred to ABN AMRO Mortgage Group, which is part of BU Netherlands.

On 31 July 2006, ABN AMRO agreed to sell Bouwfonds Property Development, Bouwfonds Asset Management, Bouwfonds Public Fund Management, Bouwfonds Holding and Rijnlandse Bank to Rabobank, and Bouwfonds Property Finance (encompassing project financing, investment financing and risk-bearing interests in projects) to SNS Bank. The share transfers to Rabobank and SNS Bank were completed on 1 December 2006.

Initiatives for 2007

In 2007, BU Netherlands will be rolling out the 'Meerwaarde' ('Added Value') strategy in both Value Centre Consumer and Value Centre Commercial. Customer advocacy is at the heart of the 'Meerwaarde' strategy for consumer clients, with whom BU Netherlands aims to capitalise on its position as a leading professional bank that is trustworthy and transparent, and that above all acts in the best interests of the client. The 'Meerwaarde' strategy will be targeted at both the mass retail segment and also the mass affluent segment, which consists of clients with more than EUR 50,000 in liquid assets or a net income of more than EUR 5,000 a month. The explicit focus with this segment will be on the acquisition of new clients. At the same time, the 'feeder' function of mass retail services will be strengthened by focusing on young professionals and top-end mass retail clients. To achieve this goal, BU Netherlands will continue to invest in people, processes and systems.

With commercial clients, the 'Meerwaarde' strategy will strengthen BU Netherlands claim to be a true partner in business by giving priority to investments in employees, internet and innovation. Investing in these areas will help BU Netherlands to fulfil its promise to act as enabler for its clients' businesses, by supporting them with integrated financial advice and solutions based on thorough knowledge and international expertise.

BU Netherlands and BU Europe together will play a key role in ABN AMRO's implementation of measures to comply with the EU's Markets in Financial Instruments Directive (MiFID) and will seek to benefit from the business opportunities that arise as a result.

BU Europe

BU Europe (excluding Antonveneta in Italy)

BU Europe brings together all of ABN AMRO’s activities in 27 countries: 23 countries in Europe (excluding the Netherlands) along with Kazakhstan, Uzbekistan, Egypt and South Africa. BU Europe employs approximately 8,000 people, including support functions serving all BUs operating in the region.

BU Europe provides its consumer and commercial clients with a focused range of financial products and services. Its regional strategies and operations are closely aligned with those of ABN AMRO’s global BUs.

Strategy, products and services

In 2006, BU Europe focused a significant proportion of its efforts on improving its profitability by taking various measures and aligning its commercial activities and back-office services with the new Group structure.

BU Europe’s strategy is to target ‘sweet spot’ clients, encompassing financial institutions, public sector organisations, mid-market and large corporations and mass affluent consumer clients. This strategy is executed by combining intimate local client knowledge with global product expertise, network capabilities and a global services platform. A number of revenue-enhancing initiatives have been put in place to help drive organic growth, such as focusing on financial institutions and the public sector, strengthening the consumer banking activities, and developing a new delivery model for mid-market clients.

BU Europe’s revenues from financial institutions and public sector clients have increased by improving the focus on origination and delivery of products to these client groups. Special attention is paid to the delivery of derivatives and private investor products, complemented by Transaction Banking and other Global Markets products. This approach has proven to be very successful.

BU Europe has been grown its consumer banking activities in selected countries, with a focus on high-growth emerging market economies. This will enable consumer banking to make a substantial contribution to BU Europe’s overall performance within the next few years.

In 2006, BU Europe developed a new sales and delivery model for mid-market commercial clients. By bundling products that meet the most frequently occurring client needs, combined with simplified back-office processes, the BU has created the foundation to enhance its services to mid-market clients, leading to greater volumes supported by a lower cost base. This new service concept will be rolled out in 2007 in selected markets.

In 2006 many new sustainability initiatives were launched across BU Europe, thereby contributing to ABN AMRO’s sustainable development strategy and inspiring its employees. These initiatives included the launch of new products, such as water certificates aimed at private investors. Employees continued to volunteer their professional skills on a pro bono basis to support their local communities. Staff participation in community involvement programmes included projects in conservation work, mentoring young people, running career workshops for early school leavers, and reading with children.

Initiatives for 2007

BU Europe is committed to return to profitability in 2007 and will continue to pursue its organic growth strategy aimed at mid-market corporations, financial institutions, public sector organisations and consumer clients. BU Europe will also seek to improve its performance by reducing the cost base through the implementation of a common services platform and the elimination of inefficiencies in processes, support functions and client coverage models. Key initiatives in 2007 will include improved capital management and the reallocation of capital between different client segments and locations. As part of this, BU Europe aims to improve its returns on capital by focusing increasingly on the emerging markets of Eastern Europe and Central Asia. Financial institutions and the public sector segment will remain key growth areas for BU Europe.

During 2007, BU Transaction Banking will be developing new products for ABN AMRO’s European client base that will be compliant with the new Single Euro Payments Area (SEPA) infrastructure. These products include new cross-border payments, insourcing solutions for financial institutions and payment card propositions. Together with BU Global Clients, BU Europe will invest in delivering dedicated industry expertise to regional clients.

BU Europe and BU Netherlands together will play a key role in ABN AMRO’s implementation of measures to comply with the EU’s Markets in Financial Instruments Directive (MiFID) and will seek to benefit from the business opportunities that arise as a result.

Antonveneta

ABN AMRO acquired a majority stake in Antonveneta in January 2006 and launched a tender offer for the remaining shares on 27 February 2006. It acquired 100% of the bank in July 2006 after it exercised its right to purchase the shares it did not yet own following its tender offer.

The integration of Antoveneta into the Group was started early on in the year and completed in December 2006. Antonveneta’s structure and governance have now been aligned with that of the Group. However, due to the complex and protracted nature of the bid battle that preceded the acquisition of Antonveneta, it has taken time to stabilise the bank's business operations.

Antonveneta and its main subsidiaries, Interbanca and AAA Bank, are among the leading banks in Italy, with Antonveneta holding a ranking among the top ten groups in the major banking classifications. Antonveneta has over 1,000 branches in Italy. The bank is strongly rooted in northeast Italy, where 459 of its domestic branches are located. Integrated with the branch network are more than 1,100 ATMs and about 63,000 points-of-sale, as well as home and remote banking facilities. As at 31 December 2006 its employees numbered approximately 9,600.

Strategy, products and services

During 2006, Antonveneta and its subsidiaries continued to operate successfully in the consumer banking, commercial banking, merchant banking and asset management sectors, in line with the strategy defined in its '2004 - 2006 Business Plan'. The results were helped by consolidation of the bank's competitive positioning in strategic sectors. In particular, its core activities were more closely defined and further strengthened; its focus on the consumer client segment and on small and medium-sized enterprises was intensified; and services for clients were further enhanced, especially in portfolio management.

In consumer banking, Antonveneta has undertaken several important initiatives aimed at widening its activities. These include actions aimed at acquiring new clients and retaining existing ones, as well as strengthening the bank's residential mortgage lending – a booming sector in Italy.

With regard to commercial clients, Antonveneta has been able to focus its lending activities on those companies most involved in the Italian economy's current growth phase, thanks partly to the strong presence and efforts of its branches and 'unità imprese' (corporate units), and partly to synergies with Interbanca, its specialist medium- and long-term financing and merchant banking subsidiary.

In asset management and more generally in portfolio management, Antonveneta and its subsidiary AAA Bank continued to help investors to diversify their financial assets.

As regards operations, Antonveneta has undertaken a number of initiatives to capitalise on potential synergies with ABN AMRO, creating full alignment between the structures of ABN AMRO and Antonveneta and improving operational efficiency and effectiveness in the process.

Initiatives for 2007

On 11 December 2006, ABN AMRO and Antonveneta announced plans for the further development of Antonveneta, which include transforming the consumer bank, strengthening the commercial bank and building the private bank. Antonveneta's new organisational structure is inspired by the ABN AMRO Group model. This model, adjusted to suit the specific attributes of the Italian marketplace, maintains the bank's focus on its clients – both individuals and SMEs – as well defining a matrix organisation that enhances its ties to the Group's functions. This renewed focus on clients will be put into effect both through new products and personalised services, including those made possible by ABN AMRO's deep-rooted and widespread international structure, and also through ongoing innovations in operational skills and communications at Antonveneta. The last feature will become evident immediately in the bank's relationship with all its stakeholders and the entire domestic community, thanks to the completion of the rebranding process.

In the Italian banking system, Antonveneta will be characterised as a strongly rooted bank, able to support Italian businesses in their ongoing process of integration into the international economy.

BU North America

ABN AMRO's sizeable North American operations, collectively called BU North America, are headquartered in Chicago, Illinois, home of LaSalle Bank Corporation. BU North America also includes ABN AMRO's global businesses operating in the US and Canada. With approximately 15,000 employees, BU North America serves individuals, corporations, institutions, non-profit entities and municipalities in the US and Canada through its 434 branches and offices.

A premier relationship bank with assets of nearly USD 123 billion, LaSalle Bank is North America's 17th largest bank holding company and the 15th largest in terms of deposits. It serves its clients through a comprehensive range of channels, including more than 400 retail branches and 1,600 ATMs. Access to ABN AMRO's global resources allows LaSalle's clients to tap markets virtually anywhere in the world.

Strategy, products and services

BU North America aims to establish enduring relationships with its clients by understanding their goals and providing the best and most appropriate financial products and services.

BU North America's offerings include commercial banking services, real estate finance, personal finance, small-business services, national mortgage origination and distribution, investment banking advisory, derivatives and risk management services, and treasury, trade, trust and securities services.

BU North America remains focused on two primary client groups: mass affluent individuals and mid-market companies. An important achievement in 2006 was the successful integration of its wholesale client-services unit with LaSalle's commercial businesses. In the process, a more efficient platform was created combining two debt capital-markets, foreign-exchange, derivatives, and loan-syndication businesses into a single delivery system.

In the consumer banking arena, BU North America continued to pursue its mass affluent strategy, which includes providing Preferred Banking services, enhancing the bank's wealth-management and small-business services, and addressing consumers' desire for convenience and ease of use. In commercial banking, BU North America opened offices in 2006 in San Francisco, Houston and Omaha, taking the BU's network of regional commercial banking offices across the continent to 23.

In common with other banks, BU North America faced pressures on margins, a slowing economy and fierce competition in 2006. In response, the BU took significant steps to address these challenges and improve its financial results by focusing on what is important to its clients and operating in the most effective, efficient manner possible. Following a strategic review that covered all aspects of BU North America's expenditure, structural changes will be effected in the North American business in 2007, including staff reductions across nearly all areas of the business and at all major locations. BU North America expects that approximately 900 positions, equivalent to 5% of the North American workforce, will be affected over the course of 2007, with most of those reductions coming in the first half of the year. The strategic review also resulted in the decision to sell ABN AMRO Mortgage Group, Inc., BU North America's US-based residential mortgage brokerage origination platform and servicing business, to Citigroup. The sale was announced in January 2007 and closed on 28 February 2007. Consumer mortgage and home equity loans will continue to be delivered as core products by LaSalle Bank Corporation through its retail branch network.

The planned changes will help BU North America with the continuous improvement of its operations, maintain its high standards of relationship management, and ensure efficient delivery of an outstanding set of products and services to its clients.

Despite these challenges, BU North America performed well on many fronts during 2006. For example, it:

- Expanded the amount of business it conducts with local subsidiaries of non-North American companies;
- Increased the market share of, among others, its consumer, global securities and trust services, and loan syndications businesses;
- Became the dominant provider of Employee Stock Ownership Plan (ESOP) loans to the mid-market;
- Increased by more than 50% the number of cross-border, asset-based financing transactions;

- Launched a commodity derivatives distribution business, surpassing the first-year target by 100%;
- Greatly enhanced its hedging products;
- Broadened the number of financial-institution clients by 25%;
- Further reinforced its culture of innovation and collaboration; and

- Made significant progress in building a strong culture of compliance.

BU North America also made important strides in sustainable development. As part of its Green Building Initiative, the BU hosted a programme for clients, real estate developers and employees to present the newest research on 'green' building. BU North America's three main office buildings are close to achieving LEED (Leadership in Energy and Environmental Design) certification. And, to promote greater adoption of renewable energies, BU North America invested in three wind-power projects in the US and Canada.

Initiatives for 2007

For 2007, BU North America's goal remains unchanged: to develop deep, long-term relationships with individuals, businesses, non-business institutions, its employees and the communities in which it operates. In consumer banking, this means providing each client with an exceptional experience characterised by ease of use and convenience, regardless of the channel he or she chooses. In commercial banking, it means making ABN AMRO's global capabilities available to more mid-sized and small-business clients.

In the coming year, BU North America will continue to target its 'sweet spot' of mass affluent individuals and mid-market businesses - the two markets that offer the BU the greatest opportunities to distinguish itself and grow profitably.

To help exploit these opportunities, the BU will focus on collaborating across departments, business lines and continents, in order to find more and better ways to serve clients, give them offerings they want and need, make it easier for them to do business, and help them grow.

At the same time, BU North America will seek additional ways to use technology to drive business results and further differentiate itself from competitors. It also will pursue opportunities to generate additional fee-based income. At the same time, it will remain vigilant in its efforts to use capital more efficiently and manage expenses more wisely.

BU North America is committed to strengthening its culture of compliance, strong controls, ethical behaviour and unassailable business practices. This is BU North America's formula for making good on its promises to its clients and other stakeholders - and to maintaining their enduring trust and loyalty.

BU Latin America

ABN AMRO has had a presence in Brazil since 1917. In recent years it has consolidated its already strong position in the top tier of Brazilian banks by acquiring Banco Real and Bandepe in 1998, Paraiban in 2001 and Banco Sudameris in 2003. ABN AMRO operates in the Brazilian market as Banco Real.

Banco Real functions as a fully integrated consumer and commercial bank on a nationwide basis through more than 1,900 stand-alone and in-company branches, 6,700 points-of-sale and 8,700 ATMs. Today, Banco Real is the third-largest privately owned bank in Brazil.

Since 1 January 2006, ABN AMRO's Caribbean and Latin American operations outside of Brazil have come together with Banco Real to form BU Latin America. Outside of Brazil, BU Latin America focuses primarily on the commercial client segment, although in Paraguay and Uruguay it also focuses on the consumer client segment. Currently, BU Latin America has approximately 28,000 employees. The Brazilian operations are BU Latin America's largest in the region by a substantial margin.

Strategy, products and services

Banco Real aims to differentiate itself by satisfying client needs through the offering of a focused range of financial products and services and by establishing close, long-term and sustainable relationships with its consumer, private and commercial clients.

Van Gogh Preferred Banking services, which Banco Real offers to its mass affluent clients across Brazil, reinforce the bank's international identity and provide a key aspirational element within its consumer banking strategy.

Through the Aymoré franchise, BU Latin America is also a major player in the Brazilian consumer finance business. Aymoré has relationships with more than 15,000 active car dealerships distributing vehicle financing and other consumer goods financing nationwide.

The commercial banking operation uses a single product platform and sophisticated segmentation to enhance its focus and efficiency – thereby enabling Banco Real to deliver a seamless product offering for multinational corporations and to capitalise on its large mid-market commercial client base, served by specialised regional and mid-market relationship management teams. This approach has enabled the bank to capture new business opportunities throughout the current economic cycle and increase its market share among commercial clients, strengthening its position as one of Brazil's leading commercial banks.

During the year, Banco Real's consumer and commercial banking activities enabled it to achieve strong credit portfolio growth and the highest credit-to-total-assets ratio among the main Brazilian banks. On the other hand, in common with other players in the Brazilian market, the bank suffered a significant deterioration in its provisioning during the first half of 2006, due to an increase in delinquencies in the market.

However, it should be noted that Banco Real achieved better provisioning results than its peers. This was testament to the risk management department's consistent efforts to mitigate growth in provisions, including maintaining constant close monitoring of the portfolio, approaching debtors through different channels and selling off portfolios of bad loans.

In the other countries in which BU Latin America is active (Argentina, Chile, Colombia, Ecuador, Mexico, Paraguay, Uruguay and Venezuela), revenue generation in 2006 was focused primarily on credit activities. Consumer markets and 'sweet spot' commercial banking activities have been thriving and show further potential for growth, mainly driven by the growth in credit usage and 'bankarisation' (i.e. clients' growing tendency to use banking services from duly regulated, formal financial institutions). However, competition in these countries has been increasing, as competitors from outside the region are once again targeting investments within it.

ABN AMRO is widely recognised as a pioneer and leader in the development of sustainable bank-society relationships in Brazil. BU Latin America's long-standing recognition of the importance of ethical principles in the way it does business has now developed into a strong overall commitment to society and the environment.

Banco Real has been named one of the best companies to work for in Brazil for the fifth consecutive year in a national business survey. It also undertakes several socially responsible initiatives such as implementing Brazil's first carbon credit transaction in 2006, applying an environmental, social and ethical risk policy to project finance, and providing microfinance services. By year-end 2006, BU Latin America's microfinance business reached out to 11,500 Brazilian clients, compared with 8,300 clients in 2005. The BU's microfinance business has evolved from a pilot to a sizeable business activity; it is now active in over 70 communities in nine cities across Brazil. In 2006, BU Latin America's microfinance business reached break-even. In addition, the BU now offers a range of social and environmental financing products, which are specifically geared towards promoting better consumption and management of natural resources by companies, encouraging professional improvement and training by individuals and reinforcing the inclusion of socially disadvantaged people.

Initiatives for 2007

In 2007, BU Latin America aims to continue to optimise the performance of its operating platform through a segmented approach to financial services. It will support and service individuals, entrepreneurs and small to medium-sized business owners. Hand-in-hand with its help for these major drivers of economic growth, it will contribute both to Brazil's and Latin America's development and to the sustainability of ABN AMRO's businesses.

The Aymoré consumer finance franchise plans to maintain its leading position in vehicle financing, by expanding new brand/dealer relationships and elongating financing terms at the same time as extending its acquisition finance activities to cover more types of goods. The bank's consumer finance client base will also provide an excellent cross-selling platform for Banco Real's retail banking business.

BU Asia

ABN AMRO has been operating for well over 100 years in several Asian countries including Indonesia, China, Singapore and Japan. BU Asia now covers 16 countries and territories, operating through 165 branches and offices (excluding those of Saudi Hollandi Bank, in which ABN AMRO has a 40% stake). BU Asia's client base includes commercial clients as well as consumer and private banking clients. It employs approximately 14,000 people, including support functions serving all BUs operating in the region. Its employees' ability to combine global expertise with intimate knowledge of their local markets enables BU Asia to offer world-class financial products and services to its clients across the region.

Strategy, products and services

BU Asia puts its aggressive growth strategy into effect by combining ABN AMRO's global structure, products and expertise with its local knowledge and client relationships. To build and sustain these relationships, BU Asia provides its banking services through a consumer client and a commercial client segment.

With nearly 5,300 employees in eight countries, the consumer client segment focuses on delivering market-leading wealth management and consumer finance services – including Van Gogh Preferred Banking – to its Asian client base through 79 branches.

In 2006, BU Asia maintained its strong focus on the growth markets of China and India, where it opened five and three new branches respectively. A further four branches were opened across the BU's other operating countries.

BU Asia's credit cards business also expanded rapidly, with the number of cards issued in 2006 exceeding the previous year's issuance by over 19%, and ending net receivables reaching records levels across the operating countries. These results were achieved despite the credit crisis in Taiwan, which affected all players in that market and resulted in higher defaults. BU Asia's Taiwan business was successful in achieving lower losses than most other major issuers, and well below the market average.

The commercial client segment is comprised of 550 staff serving more than 10,000 corporate, financial institution and public sector clients. With coverage in 16 countries and territories, the commercial client segment is structured around in-country relationship management teams supported by smaller, regional industry-focused teams. It provides clients with a broad spectrum of products and services across Global Markets, Transaction Banking, Lending, Mergers & Acquisitions and Equity Capital Markets.

Through BU Asia's strategy, both the consumer client and commercial client segments aim to increase revenues significantly on a continuing basis and retain leading positions in several key markets.

Sustainability is a key component of BU Asia's strategy and the success of the microfinance business in India is a great example of this. Started less than three years ago, ABN AMRO has emerged as an important player in microfinance and continues to be one of the largest foreign banks in the sector. Partnering with over 25 microfinance institutions and reaching across eight states in India, the portfolio grew by 93% year on year. By year end 2006, BU Asia's microfinance business reached out to more than 340,000 households compared with 178,000 households in 2005. The BU's microfinance business in India continues to operate profitably.

Initiatives for 2007

The year 2007 will be important for BU Asia in its continuing drive to realise its long-term goals. The key focus in 2007 will be on sustaining its strong revenue growth, increasing new client acquisition rates, deepening existing client relationships, and retaining and recruiting high-quality staff.

The consumer client segment will concentrate on deepening the Van Gogh Preferred Banking value proposition for its mass affluent client base, increasing the breadth of BU Asia's product sub-segments, and expanding distribution channels through its branch network and internet banking.

The commercial client segment will continue to enhance its product offering through ongoing product development. Both BU Transaction Banking and BU Global Markets will continue to improve and expand their product offerings across the Asian region. Furthermore, the Commercial Client Segment plans to extend and strengthen its position in the SME and mid-market client segments.

BU Global Clients

BU Global Clients serves a group of clients who demand the most sophisticated financial solutions customised to their specific needs. These clients are attracted to ABN AMRO by the industry expertise of the BU's bankers, who can deliver the required financial solutions by accessing both ABN AMRO's network and the broad range of products across the Group's portfolio. The product innovation and accumulated experience that result from working with these clients actively drives the development of high-quality solutions for all clients of the bank, both within BU Global Clients and across the regional BUs.

The four client industry groups that BU Global Clients serves are Financial Institutions & Public Sector; Telecommunications, Media & Technology; Energy & Resources; and Global Industries (including Automotive, Consumer and Global Industrials). BU Global Clients also comprises dedicated Mergers & Acquisition and Equity Capital Markets teams.

BU Global Clients is organised around six hubs (Amsterdam, London, New York, Hong Kong, Sao Paulo and Sydney), and directly employs around 980 people. The financial results of BU Global Clients also reflect the contribution of 230 people employed by ABN AMRO Mellon, a joint venture with the Mellon Financial Corporation that provides global custody and value added services to institutional investors worldwide.

Strategy, products and services

In order to meet the sophisticated financing, advisory and risk management needs of its multinational client base, BU Global Clients' bankers access products and services, including specialist commercial banking coverage, from ABN AMRO's regional BUs, BU Global Markets and BU Transaction Banking. Simultaneously, Global Client's hub-based industry bankers deliver their knowledge to the regional clients. This structure allows BU Global Clients' industry expertise and Mergers & Acquisitions and Equity Capital Markets products to be made available to all chosen clients across the bank in support of the overall Group strategy.

BU Global Clients' senior relationship bankers and industry teams are dedicated to maintaining a strategic dialogue in order to create tailored structured financial solutions, while the Mergers & Acquisitions and Equity Capital Markets teams support origination, execute and deliver product and advisory services on strategic issues ranging from mergers and acquisitions, divestitures and takeover defences, corporate restructurings and strategic alliances. Via the ABN AMRO Rothschild joint venture, the Equity Capital Markets team offers a full range of Equity Capital Markets products and related advisory services.

Through its strong and established client relationships, BU Global Clients is consistently active in its contribution to the Group's sustainability development initiatives. BU Global Clients realises that many of its clients face global challenges ranging from climate change effects, security issues, health issues and demographic shifts in their customer base, to poverty alleviation and environmental issues. BU Global Clients' knowledge and understanding of these challenges allow its senior relationship bankers to engage with their clients to address their challenges and create new business opportunities, balancing people, planet and profit considerations. In addition, although BU Global Clients is not responsible for its clients' and suppliers' businesses, it is serious about the responsibility for selecting the businesses and transactions they want to deal with; its client-facing teams have environmental, social and ethical risk filters available to determine the clients' commitment to act responsibly.

Initiatives for 2007

In line with ABN AMRO's overall desire to improve returns, BU Global Clients aims to deliver a sustainable return on assigned risk capital of 20% in 2007 and beyond. The BU has identified a range of measures to achieve this target. These measures are designed to foster both revenue growth and product cost efficiency especially from BU Global

Markets and BU Transaction Banking. This will lead to a reallocation of capital and people towards fast-growing market segments in which the bank is able to benefit from its strong position. In addition, BU Global Clients already has exceptionally strong relationships and high share of chosen clients' wallets in the telecommunications, healthcare, metals/mining and consumer/retail industries, and will focus in 2007 on strengthening the relevant industry groups and driving growth in these sectors by providing idea-led coverage to its clients.

Further resources will be allocated to the growing financial institutions sector, with a greater focus on growth segments (such as insurance companies and pension funds/investor clients) and strengthening of dedicated solution teams.

BU Private Clients

BU Private Clients offers private banking services to wealthy individuals and institutions with EUR 1 million or more in net investable assets. With Assets under Administration of EUR 140 billion in 2006, BU Private Clients is one of the top five private banks in Europe and ranks among the largest private banks worldwide. BU Private Clients has more than 3,300 employees, operating in 23 countries from 103 branches.

The needs of wealthy clients vary greatly. Therefore, BU Private Clients tailors its services to suit the requirements of well-defined client segments and their different sources of wealth. Across all segments, the BU's consistent focus on building strong relationships and being engaged with its customers is key to its success. BU Private Clients' products are based on an open architecture model, enabling the BU to offer its clients the best available products regardless of the actual provider.

Strategy, products and services

BU Private Clients' private banking strategy for Europe is differentiated by its ability to nourish local brands while giving them the support of a strong international institution. BU Private Clients continues to be a leading player in private banking in the Netherlands and France, and has strong positions in Switzerland, Germany, Luxembourg and Belgium. Its position was further strengthened in 2006 by the successful integration of Bank Corluy into Private Clients Belgium, the acquisition of a majority share in VermogensGroep in the Netherlands, and the merger in France of Banque de Neuflize and Banque OBC, creating Neuflize OBC. BU Private Clients' status as a leading player in Europe continues to be supported by its strong revenue growth in specific markets, including the Netherlands, France and Belgium.

To accelerate growth in Asia, BU Private Clients promotes the use of its client engagement model and focuses on building a stronger sales force, and refining its product offer in the region. The BU has made further strides within Private Clients Asia in its Indian Private Banking unit including increases in customer engagement and well-received product innovations, such as becoming one of the first providers to offer its clients capital protection instruments. In cooperation with BU Latin America, BU Private Clients is expanding its presence successfully in the growing Brazilian market by opening a new branch in Sao Paulo.

The strategic divestments made in 2006 – the sale of our businesses in Monaco and Denmark – will allow BU Private Clients to focus on growth in other private banking markets and further enhance the efficiency of its global structure.

As the International Diamond and Jewelry Group's (ID&JG's) strategic focus on credit products has only limited alignment with the activities of BU Private Clients, it was decided to separate ID&JG from this BU. From 1 January 2007, ID&JG reports directly to the Managing Board.

Finally, the successful completion of ABN AMRO's Client Acceptance and Anti-Money Laundering (CAAML) policy within all BU Private Clients units was another important step forward during the past year.

Initiatives for 2007

BU Private Clients has set an ambitious growth target for Assets under Administration by 2010. It aims to meet this target by achieving strong organic growth and optimising its global reach through further strategic acquisitions in selected markets.

On 1 January 2007, BU Private Clients launched its private banking business in Italy. During the coming year the BU will further build its Italian domestic private banking business, strengthening the BU's European franchise in the process. In all its other chosen markets, BU Private Clients will continue to build scale to improve its competitive position and efficiency throughout 2007.

A further area in which BU Private Clients will increasingly seize opportunities during 2007 is the Private Wealth Management segment. This segment, which consists of clients with more than EUR 25 million in liquid assets, is growing at a fast pace. To address its specific needs, BU Private Clients is expanding its service offering and creating dedicated Private Wealth Management units throughout Europe. In targeting this segment, the BU will actively leverage the expertise of VermogensGroep.

BU Private Clients believes that the commitment of its employees and clients is indispensable to the BU's efforts to reach its ambitious growth objectives. With this in mind, BU Private Clients will remain focused on its employee and customer engagement initiatives in 2007. Additionally, in order to make a positive contribution to sustainable development, BU Private Clients has developed a focused range of new sustainable investment products, which will be launched in 2007. Going forward, the BU aims to integrate sustainability considerations increasingly closely into its investment advice to clients.

Product BUs

BU Global Markets

BU Global Markets helps to drive the current and future growth of ABN AMRO by delivering product solutions that meet the diverse capital markets requirements of the bank's chosen clients. BU Global Markets is organised into four core areas: Equities (multi-product trading and distribution); Financial Markets (multi-asset-class trading and distribution); Fixed Income Capital Markets (integrated cross-border fixed-income origination); and Structured Lending (syndicated and structured loans). The BU Global Markets team is made up of approximately 3,500 employees with hubs in Amsterdam, Chicago, Hong Kong, London, New York, Singapore and Sydney.

Strategy, products and services

BU Global Markets combines the Group's global product expertise with local client intimacy. It develops innovative solutions for financial institutions, mid-market clients and sophisticated multinationals, working in close cooperation with the regional and global Client BUs.

Throughout 2006, BU Global Markets built up increased momentum across all lines of business, delivering operating income growth in each core area and in each of the bank's five regions. The BU surpassed its commitment to achieve a five percentage point improvement in its efficiency ratio for 2006, through a series of initiatives delivering sustained improvement in productivity and efficiency and providing a further platform to build on.

Key actions in 2006 included:

• Focusing investment in areas of established product strength (for example the Private Investor Product franchise) and in support of key growth opportunities (including structured and derivative products);

• Tighter cost control;

• Greater discipline in choices about the BU's participation in certain products or regions, based on the extent to which particular activities explicitly support its chosen client base (for example the sale of the BU's Global Futures business and the withdrawal from US Treasury primary dealer activities); and

• A number of human resource initiatives aimed at developing and supporting a high-performance culture, including tighter alignment of reward.

In delivering this improvement in performance, BU Global Markets has continued to build on its established reputation for innovative, sustainable product solutions that incorporate social and governance considerations. For example, in 2006 BU Global Markets developed socially responsible solutions across a number of business lines:

• The Commodity Derivatives team started trading on an over-the-counter basis in EU allowances and building a pipeline of potential carbon credit trades under the Kyoto protocol scheme;

• Equities established a market leading position in listing some of the first ‘carbon’ businesses; and

• Structured Lending developed new products backed by emissions allowances and carbon credits.

In addition, the Private Investor Products business succesfully introduced a range of eco-related products in 2006. It is expected that revenues from this product line will grow significantly in 2007. BU Global Markets’ portfolio includes index-based products in water and clean energy as well as sector-based solar and biofuels indices.

Initiatives for 2007

The focus of BU Global Markets in 2007 will be on continuing to deliver against its efficiency target from the stable base established during the past year. Critical to this will be the achievement of material growth by providing BU Global Markets' product solutions to the target 'sweet spot' client base.

Based on the structural improvements realised in 2006 and the momentum created across all business lines, BU Global Markets has brought forward its profitability improvement plans. It is now targeting an efficiency ratio of 75% for 2007, which it aims to achieve through a combination of revenue growth and tight cost control.

There is significant scope for further increases in revenues and improvements in BU Global Markets' efficiency ratio by more effectively leveraging the BU's product offering with the Group's existing clients, particularly the commercial and financial institution client segments that the Group is targeting. Financial institutions have underpinned much of the revenue growth in 2006 and are a particular area of emphasis for 2007 and 2008.

BU Global Markets will continue to analyse all aspects of its business and make participation choices that give the BU the best opportunity to serve ABN AMRO's clients profitably. In order to do this, it is willing to forgo market share in certain products or regions where these activities do not support the bank's targeted clients. At the same time, BU Global Markets will continue to invest in its infrastructure and in its people, continuing to build and maintain a high-performance culture.

BU Transaction Banking

BU Transaction Banking provides cash management, trade services and payment cards for all of ABN AMRO's client segments, across all regions worldwide. Bank accounts and payments services lie at the core of BU Transaction Banking's activities and at the heart of the bank's client relationships. Across all segments, these services provide the foundation for cross-selling, enabling us to expand the relationship with each client. With a focused team of approximately 1,600 mainly regionally based staff, BU Transaction Banking provides services in more than 50 countries and handles billions of transactions every year.

Strategy, products and services

Marked by good progress in several key areas, 2006 was a good year for BU Transaction Banking. These included growing the BU's overall business by 13%, making continued progress with its client satisfaction indices, increasing its footprint for web-based delivery to all major locations, providing thought leadership in the debate surrounding the Single Euro Payments Area (SEPA) and further improving its recognition in the marketplace by winning eight major awards. BU Transaction Banking continued to make solid progress towards achieving its strategic objectives – to increase its scale, expand its cross-border business and invest in selected growth markets.

Transaction banking is a scale-driven business that requires investment in state-of-the-art technology. BU Transaction Banking is tackling this challenge by growing its business with financial institutions and capitalising on opportunities in Europe arising from the implementation of SEPA and the Payment Services Directive. ABN AMRO's global capabilities give BU Transaction Banking a competitive advantage in terms of insourcing business from other banks, enabling it to engage in a worldwide effort to win mandates in a number of product areas, with particular strength in trade processing services. SEPA will level the playing field in Europe and enable the bank to build scale by offering payment products seamlessly across the eurozone.

Since ABN AMRO is one of the top global players in the transaction banking industry, and cross-border payment flows are forecast to grow significantly over the next decade, BU Transaction Banking is well-placed to capture a larger share of this business. Global expansion is encouraging mid-market companies to seek out lowest-cost sourcing and to move into new geographic markets. BU Transaction Banking is already capitalising on these trends successfully by intermediating both sides of transactions via its supply chain solutions, and by helping its commercial clients to manage the flow of both funds and goods as they expand into international markets.

BU Transaction Banking believes there are good opportunities to grow its business further and faster, particularly in Asia and Eastern Europe. The BU's strategy is to invest in key growth markets to maximise the opportunities available in these fast-growing economies, and the results show that the BU is on track to achieve these goals.

BU Transaction Banking actively supports ABN AMRO's sustainability related initiatives through the bank's regional BUs. The Mobile Banking initiative for microfinance in India is an example of the BU's active engagement.
The appointment of BU Transaction Banking's CEO Ann Cairns as Chairwoman of the 'ABN AMRO Foundation', the bank's charitable poverty alleviation organisation, will further support the BU's efforts to foster sustainable development.

Initiatives for 2007

BU Transaction Banking's strategic focus in 2007 will continue to be on increasing its scale and cross-border business volume as well as investing appropriately in selected growth markets. Other objective on the BU's list of priorities include improving its infrastructure to maximise the advantages the BU's scale provides, and focusing on integration to gain greater efficiencies.

The acquisition of Antonveneta in Italy has provided ABN AMRO with a large domestic transaction banking presence in the country. BU Transaction Banking's objective for 2007 is to drive forward a strategic agenda for the Italian market aimed at realising potential synergies and maximising the value of growth opportunities.

The high-quality earnings generated by BU Transaction Banking's business provide a stable and predictable annuity stream with an attractive return on equity. The BU's goal is to continue to build scale in this business in order to increase the returns to the bank even further. To help it do this, the BU will reduce unit costs by driving more volume through its infrastructure, leveraging its expertise and solid reputation to grow processing volumes insourced from other financial institutions. BU Transaction Banking will also build scale by improving its share of business from growth markets and by capitalising on the opportunities to expand its footprint in Europe as a result of SEPA.

BU Asset Management

BU Asset Management is ABN AMRO's global asset management business, managing approximately EUR 193 billion in specialist mandates and mutual funds. BU Asset Management has more than 1,500 employees and operates in 26 countries worldwide, offering investment products in all major regions and asset classes. Its products are distributed directly to institutional clients such as central banks, pension funds, insurance companies and leading charities. Funds for private investors are distributed through ABN AMRO's consumer and private banking arms, as well as via third-party distributors such as insurance companies and other banks. The business from institutional clients represents just over half of the assets managed by BU Asset Management. Consumer and third-party clients account for a further 30%, and the remainder is in discretionary portfolios managed for BU Private Clients.

Strategy, products and services

For BU Asset Management, 2006 represented the third year of a strategic programme to focus on markets in which it can establish critical mass and build sustainable profitable growth, both for the bank's shareholders and its clients.
BU Asset Management acquired International Asset Management, a leading 'fund of hedge funds' manager, in February and completed its integration in May, enabling the BU to provide its clients with a broader range of specialised investment capabilities and enhanced expertise from a trusted provider.

April saw the sale of BU Asset Management's US mutual fund business to Highbury Financial Inc. This enabled the BU to strengthen its position in the US by concentrating on the institutional marketplace - BU Asset Management's core US business, representing more than USD 35 billion in Assets under Management. The sale involved 19 mutual funds accounting for USD 6 billion, the management of which remains with BU Asset Management.

In June, BU Asset Management increased its share in its Beijing joint venture to the 49% maximum permitted by Chinese law, and changed its local partner from XiangCai Securities to Northern Trust, a member of Tianjin TEDA holdings - a major conglomerate with assets of approximately EUR 8 billion. Additionally, the BU raised the joint venture's registered capital to EUR 18 million from EUR 10 million to facilitate its foray into the institutional portfolio management business and the qualified domestic institutional investor business, allowing domestic offshore investment.

In July, the BU divested its onshore Taiwanese asset management business to ING Group. BU Asset Management will now provide retail and third-party distributors in this market with a focused range of offshore investment opportunities and services. These achievements further underline the BU's commitment to focus on high-quality assets, profitable businesses, growth, and leveraging its global capabilities.

Throughout 2006, BU Asset Management's socially responsible investment (SRI) initiatives gained momentum, with products that allow clients to invest in companies that work towards sustainable development. The BU offers more than 20 SRI funds. These funds invest in companies that maintain rigorous environmental, social and corporate governance criteria, while also showing solid performance. BU Asset Management believes its clients will benefit from investing in its SRI funds because companies that protect the environment, have good relations with their employees and communities, and have strong corporate governance policies, are better investment options in the long term.

BU Asset Management is also committed to integrating environmental, social and governance factors into its (non-SRI) investment processes. This process is reflected in the United Nations Principles for Responsible Investment, which the BU signed onto in May 2006.

Initiatives for 2007

BU Asset Management will remain committed to its private, consumer and commercial clients, operating on a global basis, while delivering high-quality service and solutions to clients via strong local presences. Having successfully completed its strategic programme in the past three years, 2007 will see the BU embark on the strategic journey to take it to 2010.

Part of this strategy will involve building closer links with other parts of the bank - particularly the consumer and private banking channel - in order to deliver better customer experience and maximise returns for the Group. As part of the Group's integration of Antoveneta, BU Asset Management will merge its asset management operations and expand into the important Italian market. The BU will pursue organic growth in all regions where it operates, with a particular focus on growth opportunities in North America and Asia. In the year ahead, the BU will continue to examine its product portfolio with a view to optimising its capabilities and the performance of its major products. On a service level, the BU will further strengthen its core business by placing emphasis on sales and client retention.

Cross-BU Segments

Consumer Client Segment

The Consumer Client Segment comprises the Consumer Banking heads of all ABN AMRO's Client BUs. Led by a member of the Managing Board, the Consumer Client Segment meets frequently to share results and identify new opportunities for growth.

The Consumer Client Segment management agenda, which was outlined early in 2006, has a primary focus on delivering growth for the consumer business. Realising that consumer banking is a multi-local business, the Consumer Client Segment aims to leverage ABN AMRO's global capabilities by replicating successes, driving synergies, and identifying global consumer initiatives. The ambition for growth is the guiding principle that is underlies all new initiatives.

The continued roll-out of the Preferred Banking offering in several markets is one example of ABN AMRO's ability to export successful concepts, skills and best practice across markets. In the US, Preferred Banking has been rolled out in selected locations in Illinois and Michigan. In the same vein, the Young Professionals concept has been extended from the Netherlands to selected markets in Asia and Latin America. The adaptation of winning marketing formulas across the Group is a cornerstone of the bank's drive to maximise the potential of the Group. Young Professionals proves its success as being a feeder of clients into the bank's 'sweet spot' consumer segment.

In 2006, the Consumer Client Segment continued executing comprehensive analyses of ABN AMRO's existing credit card operations. As a result, best practice from various areas has been shared to further improve local credit card operations. The Consumer Client Segment also seeks to expand this approach to other business areas as well.

The talent of ABN AMRO's employees in an important factor in increasing growth in the bank's consumer banking business. In 2006 a structural talent exchange programme was established that facilitates deployment of talent where it is needed most and helps ABN AMRO's employees to further broaden their international and cultural skills and knowledge of consumer banking.

The priorities for 2007 will be based on the path for growth that was paved in 2006 and further investigation of opportunities for creating cross-BU synergies and advantages. The main focus will be on delivering the results of the projects that were started in 2006: enhancing the bank's credit cards operations and rolling out winning market formulas across the Group.

Commercial Client Segment

The Commercial Client Segment encompasses all of ABN AMRO's commercial clients, ranging from large multinationals through mid-market corporate clients to the SME client portfolios. Client relationships are maintained in the bank's regional Client BUs and the BU Global Clients, while the Commercial Client Segment coordinates activities across both the Client and Product BUs, sharing best practice and the overall strategic framework supporting this essential component of the bank's portfolio.

The main priorities and challenges for 2006 were to ensure that ABN AMRO's network and product capabilities were aligned to efficiently serve the needs of the bank's commercial client base, in a way that enhances client satisfaction and makes a positive contribution to overall shareholder value for the Group. Much of what was achieved in 2006 revolved around implementing best practice in different regions or client sub-segments.

The year 2007 will see the Commercial Client Segment execute a number of product initiatives in selected locations, such as the wider establishment of Regional Treasury Desks - which bring the basic BU Global Markets products to ABN AMRO's smaller clients in a more efficient manner - and the roll-out of the supply chain services offered by BU Transaction Banking to a wider set of clients.

The Commercial Client Segment will continue to optimise the use of capital to ensure that selected clients and initiatives are supported, while also seeking to address those areas and clients from which the bank does not yet generate sufficient returns.

At the start of 2006, the Commercial Client Segment launched an initiative to compare the global footprint of ABN AMRO's clients with the bank's international structure. The analysis showed potential opportunities for incremental business contacts with clients; as a result, a coordinated and concerted effort to connect ABN AMRO's bankers with these opportunities was initiated. This initiative is now being rolled out globally, with expected growth in network revenues of up to 20% when complete. As ABN AMRO continues to build this increased connectivity, the bank's clients will benefit from a more comprehensive international offering.

Other businesses

Private Equity

The business model of ABN AMRO's Private Equity unit - branded as ABN AMRO Capital - involves providing capital and expertise to non-listed companies in a variety of sectors. By obtaining, in most cases, a majority stake, Private Equity has the ability to influence the company's growth strategy and increase its profitability. It then aims to sell its shareholding at a profit after a number of years. Private Equity specialises in European mid-market buyouts, but also manages a portfolio of investments in Australian buyouts, non-controlling and controlling shareholdings in small to medium-sized Dutch companies ('participaties'), and dedicated media and telecom sector investments. It operates from seven offices across Europe and Australia and has 93 employees.

Strategy, products and services

In the past two years, Private Equity has developed and implemented major improvements to its business and operational model. This programme has involved changing its investment focus from taking minority shareholdings in small to medium-sized early and later stage companies, to obtaining full control of mature mid-sized companies. Private Equity also reduced its geographical footprint, while at the same time increasing the average size of its investments. It now operates from the Netherlands, France, the Nordic countries, the UK, Italy, Spain and Australia.

This strategy change has resulted in Private Equity becoming a major player in European mid-market buyouts. In recent years it has consistently appeared in the top five most active European mid-market firms, both by number of new deals and number of exits. In 2006, the core European mid-market buyout business added nine new investments to its portfolio by investing in management buyouts, management buy-ins, secondary buyouts and buy-and-build investments. At 31 December 2006, the European buyout portfolio consisted of 46 companies in sectors ranging from consumer, industrial engineering, to support sevices and media.

In 2006, Private Equity realised seven investments in its core market segment, bringing the total of realised investments out of its 2000-2006 European buyout portfolio to 31 companies. On average, Private Equity achieved a money multiple of 2.7 times the cost of its investments in these companies.

From an operational perspective, Private Equity successfully reorganised its business in 2006 as a semi-independent subsidiary of ABN AMRO with greater autonomy in its operational and decision-making governance. The current structure allows Private Equity to raise future funding from third parties more easily if deemed opportune. Further changes to its early stage portfolio have resulted in outsourcing the management of its IT portfolio. Additionally, it sold its Life Sciences portfolio to Forbion Capital Partners. ABN AMRO will continue to be an investor in Forbion's fund.

Initiatives for 2007

Following the reorganisation, Private Equity is in a good shape to focus solely on its regional and country activities as defined in its strategy. Private Equity believes that the Netherlands, the Nordic region and the UK represent the greatest potential for commercial and organisational synergies and will therefore focus its regional activities on the Northern European market. 2007 will be used to further integrate Private Equity's regional teams to continue to develop the top position they hold in the mid-market buyout segment in this market. Additionally, Private Equity will continue its country activities in Australia, France, Italy and Spain.

Private Equity is continually looking for ways to improve its investment managers' ability to identify and initiate value-enhancing strategies and initiatives at their portfolio companies. It has set up a programme of training sessions and reviews for 2007.

In the current competitive marketplace, Private Equity will use 2007 to focus on strengthening its relationships with key intermediaries, advisers and its network of existing and former managers of investee companies, in order to increase its chances to get access to proprietary dealflow.

Through its 'participaties' team, Private Equity is also working together with the BU Netherlands to add development and expansion capital to ABN AMRO's product offering for small-cap commercial clients. The 'Participaties Fund', which was set up in 2006, will be further promoted in 2007, allowing ABN AMRO to strengthen relationships with its small-cap client base and to enhance the prospect of cross-selling its banking products to Private Equity's small to medium-sized investments.

Group Functions

Group Functions provides guidance on ABN AMRO's corporate strategy and supports the implementation of the strategy in accordance with the bank's Managing for Value methodology, Corporate Values and Business Principles. By aligning and uniting functions across ABN AMRO's BUs and geographical territories, Group Functions also facilitates Group-wide sharing of best practice, innovation and positioning to public authorities, and binds the bank in both an operational and cultural sense. Group Functions has approximately 3,800 employees.

Strategy, products and services

Group Functions aims to be a centre of excellence, exploring value-creating opportunities, providing capabilities where needed and helping BUs meet their objectives, while balancing the interests of the BUs with those of the bank as a whole. In doing so, Group Functions promotes the bank's global brand name and the combined strength of the Group as one bank.

This mandate translates into four roles:

• Governance: Group Functions enables ABN AMRO to exist as a single entity and is responsible for corporate governance. It is in charge of compliance with regulatory and legal requirements, including compiling and reporting consolidated financial statements.

• Influencing and making policy: Group Functions adds value by assisting in the execution of the Managing

Board's strategic guidance. It designs, implements and monitors the standards and policies within which the BUs work. It also monitors performance targets and progress towards reaching them, and provides expert advice and assistance in key areas.

• Service provision: Group Functions facilitates and exploits cross-BU synergies by providing support services in specific business areas for the Group, in close cooperation with the BUs.

• Challenging: Group Functions challenges the BUs in the execution of their business strategies.

Group Functions carries out its activities through several departments, ranging from Group Finance to Investor Relations, Group Compliance & Legal to Group Communications and Group Risk Management to Group Human Resources. In addition, Group Functions oversees the financial performance of certain shareholdings, including the 8.6% stake in Italian bank Capitalia. The sale of ABN AMRO's 40.2% stake in Hungarian Kereskedelmi és Hitelbank (K&H Bank) to KBC Bank, which was announced on 12 December 2005, was completed on 29 May 2006. In September 2006, ABN AMRO sold its Global Futures business to UBS.

In 2006, a new organisation structure was adopted, which enabled Group Functions to be managed in a more integrated way across the various BUs within the Group. The ties between Group Functions and the BUs were further strengthened through a greater focus on internal client satisfaction.

Initiatives for 2007

On 30 October 2006, ABN AMRO announced that activities to improve operating performance in 2007 would be accelerated, among others by improving operational efficiency in Group Functions. These changes will affect more than 500 full-time equivalents (FTEs) at head office, predominantly in Risk Management and corporate IT projects, through a combination of outsourcing, offshoring and redundancies.

The strategic agenda for 2007 aims to improve operational efficiency in Group Functions and capitalise on initiatives started in 2006. This includes:

• Restructuring the Group Risk Management organisation.

• Transforming to a new HR operating model.

• Implementing the IT operating model for Group Functions more expeditiously.

• Ensuring regulatory compliance with the Sarbanes-Oxley Act, the International Financial Reporting Standards (IFRS), Basel II and the Cease and Desist Order imposed against the bank by US federal and state bank regulatory agencies in conjunction with ABN AMRO's home country supervisor, the Dutch Central Bank.

• Further developing and implementing a standardised Management Information System infrastructure within ABN AMRO.

• Finalising the integration of sustainability into the core activities of the BUs, Group Functions and Services.

• Establishing Group Public Affairs; this new function will be in charge of effective analysis of and engagement in the global political, economic, social and environmental arenas, enabling ABN AMRO to be a responsible corporate citizen, creating competitive advantage and more value for all stakeholders.

Services

ABN AMRO's Services organisation is responsible for delivering internal support services across the bank's global, regional and product BUs worldwide. Its core areas are IT, Operations, and Corporate Services.

The Services organisation was created in 2006, bringing together all services units within the bank and building on the experience of the Group Shared Services (GSS) programme, which was initiated in 2004. It currently has approximately 900 employees.

Strategy, products and services

The objective of the Services organisation is to deliver best-in-class support services to ABN AMRO’s internal clients by leveraging its scale and optimising the use of shared services across the bank.

Services manages a portfolio of initiatives to deliver ‘fuel for growth’ – helping to drive the efficiency improvements that are required to enable ABN AMRO to release funds for new investments in areas with strong growth potential. These efficiency improvements, which were started at the end of 2004, are expected to realise net savings for the Group of at least EUR 900 million by the end of 2008.

In addition to making the transition to the new Group-wide organisation in 2006, Services has focused its attention on consolidating activities in Operations, further aligning the IT organisation, and accelerating planned initiatives to optimise the global property portfolio.

Services Operations

As part of the ‘fuel for growth’ strategy, Operations introduced the Services Operations initiative in April 2006. This programme comprises a portfolio of projects covering the full scope of Services Operations activities, with each project aimed at creating value by driving regional and global synergies and reducing duplication. The initiative brings together approximately 150 projects at the global, regional and local levels under a single umbrella programme, and includes large-scale systems replacements, process reengineering and consolidation, outsourcing and offshoring.

Services IT

Since ABN AMRO restructured its organisation in January 2006, all IT areas across the bank have been aligning themselves to the global multi-vendor operating model of Services IT. A number of alignment programmes are under way to ensure that the bank realises the full potential of its global outsourced technology contracts. Initial target areas contributing significant savings have been identified by these programmes, with an initial focus on the UK as part of BU Europe. Recent initiatives have included further offshoring and outsourcing of application development, rationalisation of servers and data centres, and a significant reduction in contractors and consultants.

Corporate Services

Global Property & Facilities Management Services continued to identify, coordinate and implement best practice across the ABN AMRO occupied property portfolio in 2006. This included making workspaces as efficient as possible, getting rid of surplus space and improving facilities management across the BUs.

Global Procurement continued to work in close cooperation with the other Services functions and its internal business partners to ensure best value for money from suppliers. A more rigorous category-planning process was launched in 2006, which ensures that business goals are clearly understood, that requirements are identified proactively and that sourcing plans are put in place. This approach puts the bank in a position to achieve best value from the supply market before undertaking specific transactions.

Sustainability

Services is committed to continuously improving the integration of sustainability into its workplace and business processes. In 2006, Services continued to incorporate sustainability criteria into its procurement processes, putting codes of conduct in place for products and services sourced during the year. A further important step forward was the successful piloting of a web-based reporting tool for tracking sustainability data per region, country or facility. This Sustainability Dashboard displays key data such as energy performance, which enables the bank’s various facilities to optimise their energy consumption. Services is also instrumental in the realisation of ABN AMRO's global energy efficiency programme, targeting a reduction of 10% in Group-wide energy consumption by 2008 (compared with 2004) based on relative metrics - kWh per square meter, kWh per FTE - and with a proportionate reduction in carbon dioxide emissions.

Initiatives for 2007

Services will accelerate the delivery of its existing market commitments in 2007, while actively seeking out new opportunities to realise further efficiencies.

Services IT will concentrate on completing the implementation of its target operating model and governance. IT initiatives in 2007 will focus on further offshoring of application maintenance, consolidation of server environments and the transition of most of the infrastructure operations to the chosen vendor. In addition, a global IT product and service catalogue will be implemented to improve control of service options, quality and price for our internal clients.

New initiatives that were announced in 2006 in Services IT in BU Europe and in Services Operations will get fully under way in 2007.

Global Property & Facilities Management Services will drive further efficiencies, pursuing opportunities for continuing cost reductions and portfolio optimisation through space efficiency and surplus space elimination programmes, enhanced facilities management, and rightsizing and standardisation.

Within Procurement, preparations were made to set up a purchase-to-pay (P2P) initiative, which is planned to go into operation in early 2007. This initiative aims to achieve substantial direct efficiency savings and – more importantly – increased control, transparency and standardisation through the use of one global set of standard P2P processes and tools.

Compliance

ABN AMRO’s compliance function provides senior management with independent oversight of the core processes and related policies and procedures that ensure that the bank conforms - in both letter and spirit - with industry-specific laws and regulations, and thereby maintains the bank’s reputation. This oversight includes - but is not limited to - sanctions, monitoring of compliance standards, client acceptance and anti-money laundering, and good citizenship. The compliance function also acts in areas such as personal account dealing, conflicts of interest and the maintenance of Chinese walls.

The Managing Board is fully committed to ABN AMRO’s Corporate Values in order to preserve the bank’s integrity and reputation. By complying with the relevant laws and regulations in each of the markets in which it operates, ABN AMRO safeguards its reputation, its licence to operate, and its ability to create sustainable value for all stakeholders.

With effect from 1 January 2006, the Group Compliance organisation was restructured in order to align it further with ABN AMRO’s new BU structure. By including Country Executives in the management of compliance issues, this development has significantly improved the bank’s regulatory oversight and accountability. The new structure for compliance also places greater emphasis on global policy coordination, and on ensuring that policies are consistent across the bank’s various regions.

In December 2006, ABN AMRO received the Dutch Compliance Award. This prize is awarded annually by the Dutch Compliance Institute to organisations or individuals who have developed pioneering initiatives on compliance and integrity or have developed proposals that lead to an increase in efficiency and quality of the compliance function.

Structure

The head of Group Compliance & Legal reports directly to the Chairman of the Compliance Oversight Committee of the Supervisory Board and to the Chairman of the Managing Board.

The Compliance Oversight Committee is a major component in ensuring that the bank operates with effective, enterprise-wide compliance risk management. Its role is to supervise ABN AMRO’s compliance organisation, activities and risk profile. For more information on the Compliance Oversight Committee, please refer to “Item 6. Directors, Senior Management and Employees—C. Board practices—Compliance Oversight Committee activities”.

The Compliance Policy Committee - the governing body responsible for the global coordination of compliance across the Group - is led by the Chairman of the Managing Board. The Compliance Policy Committee takes decisions on key compliance activities and provides broad oversight of Group Compliance. The other members of the Compliance Policy Committee are the Chief Risk Officer, the chairman of the Group Business Committee, the head of Group Compliance & Legal and the heads of Group Compliance, Group Legal, Group Risk Management, Group Audit and Group Finance.

Group Compliance tasks

In accordance with the recommendations and standards of the Basel Committee on Banking Supervision, the mandate of Group Compliance is to:

• Identify risks and regulations relevant to ABN AMRO's activities;

• Design policies and procedures to minimise regulatory and reputational risk;

• Advise, train and provide reports to senior management with regard to the regulations and compliance with these regulations;

• Promote effective compliance and ensure or oversee follow-up actions in the event of non-compliance; and

• Manage regulatory inquiries and incidents.

Enforcement Actions

Our obligations under the Cease and Desist Order - whereby ABN AMRO must take all relevant measures to improve oversight and compliance in its US branches and offices governed by US law - were a top priority for Group Compliance in 2006. ABN AMRO continues to be engaged in the US Bank Secrecy Act compliance issues and related written agreement. Investigations have had, and will continue to have, an impact on the bank's operations in the US, including procedural limitations on expansion and the powers otherwise exercisable as a financial holding company. Also for 2007 Group Compliance will continue to advise on and assist the bank in meeting the requirements of the Enforcement Actions. See also "Item 3. Key Information - D. Risk Factors - Regulatory changes or enforcement initiatives could adversely affect our business."

Focus areas

In 2006 Group Compliance has explicitly focused on the following areas:

Compliance Risk Assessment & Monitoring

The global implementation of Compliance Risk Assessment & Monitoring is an ambitious and challenging undertaking for ABN AMRO. All jurisdictions worldwide face heightened levels of compliance risk, as the regulatory framework and burden continues to grow in both volume and complexity. Compliance Risk Management will assist the bank's BUs in identifying, assessing and managing their respective compliance risks.

Mindset Programme Wave II: 'Our values in action: acting with integrity'

The focus of our 'Mindset' programme has continued to raise awareness and strengthen the global compliance mindset throughout the bank. Senior management's involvement in setting the right tone from the top and communicating the importance of compliance to all staff is paying off.

Client acceptance and anti-money laundering

The Client Acceptance and Anti-Money Laundering (CAAML) policy contains the philosophy and approach to our Know Your Client (KYC) controls, with which we combat money laundering and terrorist financing. ABN AMRO aims to be at the forefront of anti-money laundering efforts around the world. Our highly-developed transaction monitoring system enables the bank to monitor and test transactions for their compliance with anti-money laundering legislation in over 50 countries.

The implementation of the global Anti-Money Laundering Oversight Committee puts in place a solid governance structure to steer ABN AMRO's anti-money laundering agenda. A bank-wide client risk reassessment project was conducted in 2006 to ensure that, on a risk-based approach, all the bank's clients comply with the relevant client due diligence requirements.

Group Security

Group Security contributes to a secure environment across ABN AMRO by developing global policies and standards for promoting physical security and preventing financial crime, delivering input and operational services to support the business' commercial and strategic decisions, and investigating serious security incidents and compliance breaches. By acting in partnership with the business, Group Security provides a security framework and related services that enable the business to take ownership of its security responsibilities.

Sustainable development

To create sustainable value for all our stakeholders, we run our business responsibly. This means behaving with integrity and openness, and taking environmental, social and ethical issues into account. This approach helps us to build and sustain the trust that underpins our license to operate, and enables us to be a valued business partner for our clients. In 2006 we intensified our sustainability-related activities by focusing on providing responsible financial services, building employee engagement, protecting our assets, being accountable and transparent, minimizing our direct impact and supporting local communities. We discuss our approach to sustainability in our Sustainability Report, which is published alongside the Annual Report, or at www.abnamro.com.

General

Competition

In each of our markets we operate in a highly competitive environment. Many large financial services groups offer sophisticated banking or investment banking services to corporate and institutional customers on a global basis. In addition, in the national markets in which we operate, we compete with local banks and other financial services companies. We also compete with other banks, money market funds and mutual funds for deposits and other sources of funds. In certain jurisdictions, many of our competitors are not subject to the same regulatory restrictions to which we are subject. See also "Item 3. Key Information - D. Risk factors - Our performance is subject to substantial competitive pressures that could adversely affect our results of operations."

Our Employees

As at 31 December 2006, we had 106,999 full-time equivalent employees (excluding the consolidation impact of private equity investments under IFRS), an increase of 14,473 since 31 December 2005. Approximately 10% of these employees hold managerial and executive positions. A breakdown of employees by business unit as of 31 December 2006, 2005 and 2004 is set forth in "Item 5. Operating and Financial Review and Prospects - A. Operating results".

All of our employees in the Netherlands, other than senior management, are covered by one collective labor agreement which is periodically renegotiated.

We have not experienced any significant strike, work stoppage or labor dispute in recent years. Our management considers our relations with our employees to be good.

SUPERVISION AND REGULATION

Regulation in the Netherlands

General

Holding and its subsidiaries, on a worldwide basis, are regulated in the Netherlands by the Dutch Central Bank and the Netherlands Authority for the Financial Markets, or “AFM”.

The bank regulatory system in the Netherlands is a comprehensive system based on the provisions of the new Financial Supervision Act, the “FSA”, which came into effect per January 1, 2007. The FSA has replaced, among others, the Act on the Supervision of the Credit System 1992 without affecting the existing supervisory system. The FSA gives rules regarding prudential supervision (by the Dutch Central Bank) 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 parties and due care in the treatment of clients (amongst which supervision of the securities and investment businesses).

The Bank is a “universal bank” under the terms of the FSA because it is engaged in the banking business as well as the securities business. Certain provisions of the FSA may restrict the Bank’s ability to make capital contributions or loans to its subsidiaries and to make dividends and distributions to Holding.

Supervision of credit institutions

In general, under the FSA, credit institutions are supervised by the Dutch Central Bank. No enterprise or institution established in the Netherlands may pursue the business of a credit institution unless it has obtained prior authorization from the Dutch Central Bank. Its supervisory activities under the FSA focus on supervision of solvency, liquidity and administrative organization, including internal control and risk management. If, in the opinion of the Dutch Central Bank, a credit institution fails to comply with the rules and regulations concerning solvency, liquidity or administrative organization, the Dutch Central Bank will so notify the credit institution, and it 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 Dutch Central Bank, the Dutch Central Bank may exercise additional supervisory measures, which may include the imposition of fines.

The FSA provides that each supervised credit institution must submit periodic reports to the Dutch Central Bank. In accordance therewith the Bank files monthly reports with the Dutch Central Bank. At least one monthly report for each given year must be certified by a registered accountant. The report to be certified is selected by the registered accountant in his or her discretion.

Solvency supervision

The solvency rules require that we maintain a minimum level of total capital to support the risk-weighted total value of balance sheet assets and off-balance sheet items, the latter of which includes guarantees, documentary credits, certain 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 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. The legally required minimum Capital Adequacy Ratio currently is 8.00%, however, in practice a minimum ratio of 10% is agreed with the Dutch Central Bank. The solvency rules are applied to the world-wide assets of Dutch credit institutions.

For our company, total capital consists of core capital (also referred to as Tier 1 capital) and secondary capital (also referred to as Tier 2 capital). We also are permitted to maintain an additional form of regulatory capital, Tier 3 capital, to support the market risks of financial instruments in our trading book and foreign exchange risk of all business activities. Tier 1 capital consists of those parts of shareholders’ equity and minority interests that qualify as Tier 1 capital and subordinated liabilities that qualify as Tier 1 capital. Secondary or Tier 2 capital is divided into upper Tier 2 capital and lower Tier 2 capital. Upper Tier 2 capital consists of revaluation reserves and perpetual subordinated liabilities; lower Tier 2 capital consists mainly of long-term subordinated liabilities. Tier 3 capital consists of subordinated liabilities that have a minimum original maturity of at least two years, are not subject to redemption prior to maturity without the prior written consent of the Dutch Central Bank (other than in the event of a winding-up of the Bank) and are subject to a provision which provides that neither interest nor principal may be paid if, prior to or as a result of such payment, our Capital Adequacy Ratio would be less than the required minimum.

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 risks 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 must be deducted from Tier 1 capital and total capital, respectively.

See “Item 3. Key Information - Selected financial data - Selected ratios” and “Item 5. Operating and Financial Review and Prospects - B. Liquidity and capital resources” for information concerning the Bank’s capital ratios.

Capital adequacy framework (Basel II)

On 26 June 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 (CRD), representing the translation of Basel II to EU legislation and replacing the Capital Adequacy Directive (CAD), was approved by the European Parliament in September 2005. This acceptance by the European Parliament cleared the way in Europe for the implementation of the CRD, with a published compliance date of 1 January 2008.

The implementation process of Basel II into Dutch legislation and regulations was completed on 22 December 2006 when the Dutch Central Bank published its Supervisory rules.

Basel II allows for several different approaches to implement requirements for Credit, Market and Operational Risk. ABN AMRO aims to implement the most advanced approaches, for all risk types, at the earliest opportunity.

In setting up our Basel II programme, the teams across Risk, Finance, Services and the BUs have evolved as the implementation ramped up. Our key focus areas in 2006 included:

· validation of risk models;
· integration of granular risk and finance information relating the bank’s portfolios; and
· development of tools for calculating credit risk-weighted assets.

At the heart of Basel II is a series of best practice risk and capital management techniques that are the embodiment of ABN AMRO’s existing approach to risk and capital management.

Exposure supervision

The Dutch Central Bank 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 a group of connected borrowers which exceed 10% of a credit institution’s total capital. Large exposures must be reported once every quarter to the Dutch Central Bank. There is a limit of 25% of total capital for a single large exposure being 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. In 2006, there were no exposures exceeding these thresholds.

In addition, under the Solvency rules, certain other exposures are limited as a percentage of total capital as follows: exposures to the Dutch central government, the Dutch local government and other central governments of the so-called “Zone A” countries[1], which include the Organization for Economic Cooperation and Development countries, have no limit; exposures to local governments of Organization for Economic Co-operation and Development countries are weighted at 50%; exposures to banks with a remaining maturity of up to or less than one year or more than one year are weighted at 20% and 50%, respectively; and exposures to others are weighted at 100%. Equity participations in insurance companies are exempt up to a level of 40% of total capital of the credit institution.

Facilities and loans to, and investments in, non-banks by credit institutions of 1% or more of total capital must be registered with the Dutch Central Bank. For banks, the threshold is 3% of total capital. Regulations of the Dutch Central Bank also bar a credit institution from lending (on either a secured or an unsecured basis) more than the lesser of 5% of its total capital and, if the loan is unsecured, five times the monthly salary for the borrower to any director or member of senior management of the credit institution without the prior approval of the Dutch Central Bank.

Liquidity supervision

The bank submits reports on its liquidity position on a monthly basis to the Dutch Central Bank, based on its liquidity supervision directive. The liquidity directive seeks to ensure that banks are in a position to cope with an

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[1] The Member States of the European Community and all other countries which are full members of the Organization for Economic Cooperation and Development and the countries which have concluded special borrowing arrangements with the International Monetary Fund associated with the International Monetary Fund's General Arrangements to Borrow are considered "Zone A" countries. However, a country in the process of rescheduling its official external debt is excluded from this group for a period of five years. The "Zone A" countries currently comprise: Australia, Austria, Belgium, Canada, Cyprus,Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithania, Luxembourg, Malta, Mexico, Monaco, the Netherlands, New Zealand, Norway, Poland, Portugal, Puerto Rico, Saudi Arabia, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, the United States and the United Kingdom.

acute short-term liquidity shortage under the assumption that banks would remain solvent. The bank is required to report the group's liquidity position at consolidated level. In principle, the Dutch Central Bank liquidity directive covers all direct domestic and foreign establishments (subsidiaries/branches), including majority participations. Liquidity effects from off-balance sheet items, such as derivatives and irrevocable commitments, are measured in the liquidity report.

The directive places great 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 and six months to one year).

The 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.

The liquidity test includes all currencies. Compliance reports concerning liquidity requirements of foreign subsidiaries are submitted to appropriate foreign regulatory authorities as required. At consolidated level and in every country in which we operate, the Group adheres to the liquidity standards imposed by the applicable regulatory authorities.

Structural supervision

A declaration of no-objection from the Dutch Central Bank (or in certain specified cases from the Dutch Minister of Finance), is required for certain changes in the structure of credit institutions, such as mergers, certain investments, the addition of a managing partner to the credit institution, repayments of capital or distribution of reserves of the credit institution and financial reorganization. Approval will be denied if, among other things, the Dutch Central Bank determines that sound banking policy may be jeopardized, that an undesirable development in the financial sector might result or that a conflict might arise in respect of certain solvency directives. Pursuant to the FSA, a declaration of no-objection is required for a participation by a credit institution of at least 10% in the issued share capital or the related voting rights (each, a "Qualifying Participation"), or the increase thereof, of a financial institution, such as a credit institution, or a non-financial institution, and, either (i) in case of a financial institution, if the total capital of such financial institution would exceed 1% of the credit institution's consolidated balance sheet total or (ii) in case of a non-financial institution, if the consideration for the Qualifying Participations exceeds 1% of the credit institution's consolidated equity. The Dutch Central Bank or the Dutch Minister of Finance can, on request, grant so-called bandwidths, umbrella and group-declarations of no-objection in respect of Qualifying Participations. The declaration of no-objection is not required in case of a Qualifying Participation by a credit institution in a company whose assets consist of more than 90% liquid assets. Furthermore, the FSA provides that a declaration of no-objection is required in case of a Qualifying Participation by a natural person or legal entity in a credit institution.

The Dutch Central Bank together with the Dutch Minister of Finance has developed a "structural policy" for equity participations by credit institutions in non-financial institutions. Under this policy an equity participation is not allowed if the value of the participation would exceed 15% of a credit institution's total capital or if the participation would cause the value of the credit institution's aggregate Qualifying Participations in non-financial institutions to exceed 60% of its total capital. Certain types of participations will be approved in principle, although in certain circumstances a declaration of no-objection 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. The approval generally 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

The Bank is also subject to supervision of its activities in the securities business. The FSA, 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.

The Bank and/or certain subsidiaries of the Bank are also active as managers and/or custodians of collective investment plans, which comprise both investment funds and investment companies. Collective investment plans are subject to supervision by the Dutch Central Bank and the AFM.

Regulation in the European Union

The Financial Services Action Plan 1999-2005 laid the foundations for a single financial market in the EU and has already brought about many changes with 42 legislative and non-legislative measures adopted by the EU Institutions. In its future strategy on Financial Services for 2005-2010, the European Commission set out its objectives to achieve an integrated, and competitive EU financial market by removing any remaining barriers so that financial services can be provided and capital can circulate freely throughout the EU at the lowest possible cost, resulting in high levels of financial stability, consumer benefits and consumer protection.

The financial services sector includes three major areas for which European regulatory policies apply: banking, capital markets, and asset management. EU initiatives also deal with a number of issues related to company and corporate governance.

The Codified Banking Directive (2006/48/EC) for credit institutions and banking services governs the free provision of banking services. Under this Directive, the Bank can offer banking on the basis of a single banking license ("European passport") through the establishment of a branch or cross-border in all the EU countries. In September 2006 the European Commission proposed a review of one specific article of the Codified Banking Directive with regards to procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of shareholding in the financial sector (the so-called prudential carve out of article 16). It aims at tightening the procedures that the supervisory authorities have to follow when assessing proposed M&A in the banking, insurance and securities sectors. In particular, it clarifies the criteria against which supervisors should assess possible M&A operations.

The Directive 2006/48 is also the legal vehicle which implements the Basel II framework into EU Law (the Capital Requirements Directive). The Capital Requirements Directive is based on a three pillars structure (minimum capital requirements, a supervisory review process and market discipline) with the aim of creating a better risk-sensitive regime than the current system. Financial Institutions are to apply the capital requirements with adopting the most advanced approaches with a published compliance deadline of 1 January 2008.

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. The Prospectus Directive 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. The Transparency Directive harmonizes the transparency requirements for information about issuers whose securities are admitted to trading on an EU regulated market.

The other important piece of legislation in this area is the Markets in Financial Instruments Directive (MiFID), which has to be implemented by financial institutions as of November 1, 2007. It regulates 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. It streamlines supervision on the basis of home country control and enhances the transparency of markets. It harmonizes conduct of business rules, including best execution, conflicts of interests and client order handling rules. The Directive abolishes the concentration rule, which leads towards a more competitive regime between order execution venues. It also regulates market transparency rules for investment firms, regulated markets and alternative trading systems and both pre and post-trade but only for shares.

In the post-trading field, the European Commission has pushed the industry to agree on a clearing and settlement Code of Conduct, signed by the stock exchanges on November 2006. The Code aims at enhancing transparency and increasing competition in the post-trading sector.

Likewise, political initiatives in the area of retail financial services and payment services have been launched. Currently, the revised proposal for a Directive on Consumer Credit (latest proposal published in October 2006) is being discussed in the EU. The proposed Directive introduces consumer protection provisions and at the same time aims at the creation of a single market for consumer credit in the EU. In December 2005, a Directive was proposed on a new legal framework for payment services, which will harmonize rules with regard to payments licensing, transparency conditions, information requirements and rights and obligations linked to the provision and use of payment services.

In the area of asset management, the EU has enacted legislation on pension and investment products. On investment funds, there are two 'UCITS Directives', 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 will come up with proposals for legislative amendments in autumn 2007 to do targeted changes to the current EU framework for investment funds. In the field of supplementary pensions, a Directive has liberalized 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.

By December 2007, Member States will have to implement the third Money Laundering Directive into national law. The aim of the Directive is to transpose the Financial Action Task Force's (FATF) forty recommendations. It follows a risk-based approach by 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.

As of January 1, 2007, the Regulation which transposes the FATF Special Recommendation VII (SR VII) on "wire transfers" into EU legislation has come 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.

Applicable from September 2007, the Data Retention Directive will require electronic communications providers to store data on phone-calls, e-mails and Internet use for a period between 6 and 24 months to help track down terrorism and organized crime.

In the field of Company Law and Corporate Governance, the two main guiding principles for EU legislative actions are to improve transparency and empower shareholders. Soft law instruments have been used to promote good corporate governance (e.g. corporate governance codes). To improve transparency in company accounts, the European Commission adopted recommendations on Directors' Remuneration and role of non-executive or supervisory directors with a view to improving the on-going disclosure requirements for listed companies. In order to restore credibility of financial reporting and to enhance protection against the type of scandals involving Parmalat and Ahold, the Directive on statutory audit (2006/43) designed to strengthen corporate governance and auditor responsibilities was adopted and should be implemented into national law by June 2008. It aims at reinforcing and harmonizing the statutory audit function throughout the EU by setting out principles for public supervision in all Member States. It also introduces a requirement for external quality assurance and clarifies the duties of statutory auditors. In June 2006, the EU adopted a Directive (2006/46) which amends existing Accounting Directives to ensure collective board members responsibility and more disclosure on related-parties transactions, off-balance sheet vehicles and corporate governance. The Second Company Law Directive (2006/68) covering the formation, maintenance and alteration of capital was amended in September 2006 in order for public limited companies to take certain measures affecting the size, structure and ownership of their capital. Finally, the European Commission has presented in January 2006 a proposal on the exercise of shareholders' rights, which mainly seeks to abolish share blocking, improve the flow and transparency of the information and remove all legal obstacles to electronic participation in general meetings. This new Directive on shareholders rights is expected to be adopted by the European Council in the second quarter of 2007.

Regulation in the United States

The Bank's operations in the United States are subject to extensive regulation and supervision by both federal and state banking authorities. The Bank 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, Holding elected to become a financial holding company on 11 March 2000.

See also "- Legal and regulatory proceedings," below, and "Item 3. Key Information - D. Risk factors - Regulatory changes or enforcement initiatives could adversely affect our business" and "—We are subject to legal risk, which may have an adverse impact on our results."

Regulation 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.

Legal and regulatory proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. Some of these proceedings involve the risk of a material adverse impact on our financial performance or stockholders' equity. In presenting our consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters, and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defense, are not established for matters when losses cannot be reasonably estimated. We cannot guarantee that these proceedings will be concluded in a manner favorable to us and should our assessment of the risk change, our view on changes to income will also change. See also "Item 3. Key Information - D. Risk factors - Regulatory changes or enforcement initiatives could adversely affect our business" and "—We are subject to legal risk, which may have an adverse impact on our results."

Regulatory sanctions

As previously reported, in July 2004 we signed a Written Agreement with the US regulatory authorities concerning our dollar clearing activities in the New York branch. In December 2005, we agreed to a Cease and Desist Order with the Dutch Central Bank, theReserve Board, the US Department of the Treasury's Office of Foreign Assets Control ("OFAC") and the Financial Crime Enforcement Network ("FinCEN"), the State of Illinois Department of Financial and Professional Regulation and the New York State Banking Department. This involved an agreement to pay an aggregate civil penalty of USD 75 million (approximately EUR 62.5 million). In addition, ABN AMRO agreed to make a voluntary endowment of USD 5 million (approximately EUR 4 million) to the Illinois Bank Examiners' Education Foundation, bringing the total amount related to this sanction to USD 80 million (approximately EUR 66.5 million). Furthermore, the Bank committed to continue to implement improvements in its oversight and compliance programs. See "Item 4. Information on the Company - B. Business overview - Compliance." The sanctions principally related to deficiencies in the US dollar clearing operations at the New York branch and OFAC compliance procedures specifically in relation to certain US dollar payments originating at the Dubai branch. The actions that are the subject of the sanctions predominantly took place before the 2004 Written Agreement mentioned above, and many were discovered by investigations initiated by the Bank and voluntarily reported to regulatory authorities.

In January 2006, ABN AMRO Mortgage Group, Inc. reached a settlement with three US government agencies - the US Department of Justice, the Office of the Comptroller of the Currency ("OCC") and the US Department of Housing and Urban Development ("HUD") - regarding past actions in connection with Federal Housing Administration ("FHA") insurance certifications administered by the Mortgage Group on approximately 28,000 HUD-insured loans originated during the period 2000 to 2003. The loans were underwritten by HUD-authorized underwriters; however, the final certification process was not completed properly. The civil settlement includes a cash payment in the amount of $16.85 million and represents a final resolution of a matter the Mortgage Group discovered, investigated and self-reported to the government in 2003. In addition, the Mortgage Group chose not to submit insurance claims on 783 defaulted loans that were originated during the affected period, resulting in an increased cost to the Mortgage Group. ABN AMRO Mortgage Group is committed to an FHA loan program that is in full compliance with all of the applicable requirements.

OFAC compliance procedures

In 2004, the Bank determined that certain employees of the Dubai branch were not observing the Bank's policies and standards in relation to certain US dollar payment instructions sent to the Bank's US dollar clearing centre in New York. An independent investigation determined that in certain instances US dollar payments were made from and to countries that were on a list of sanctioned countries maintained by OFAC. Payments from and to these countries or involving nationals of these countries (in particular Iran and Libya) are only allowed to be processed in the United States if the relevant payments meet certain specific requirements established by OFAC. The report prepared by external legal counsel determined that between 1997 and 2004, employees of the Bank in Dubai developed procedures for certain fund transfers, check clearing operations and letter of credit transactions on behalf of Libyan and Iranian clients. They excluded or modified country and client-specific information from the relevant transactions so that the relevant transactions pass through the New York branch's OFAC filter without being detected and blocked. Once these procedures were detected internally, they were terminated.

We are in compliance with the sanction-related requirements of the Cease and Desist and OFAC Orders. We have upgraded our OFAC Compliance program through the hiring of a Senior OFAC Compliance Officer based in the

United States and the establishment of the United States Sanctions Team to support our US operations. The Bank's independent third party has completed three of the four transaction reviews required under the OFAC Order and has submitted its reports to OFAC. The fourth transaction review is due in December 2008. We continue to further enhance our OFAC Compliance program through the issuance and updating of enhanced and updated policies, procedures, training and compliance tools. See also “Item 4. Information on the Company - B. Business overview - Compliance.” We are also in the process of taking disciplinary measures, including terminations, against the employees involved. While these procedures were regrettable, the Bank has reviewed the transactions involved and has found no evidence so far of any terrorist connection with these transactions.

Ongoing investigations

We and members of our management continue to provide information to law enforcement authorities in connection with an ongoing criminal investigation relating to our dollar clearing activities, OFAC compliance and other Bank Secrecy Act compliance matters. These compliance issues and the related sanctions and investigations have had, and will continue to have, an impact on the Bank’s operations in the United States, including limitations on expansion. The Bank is actively exploring all possible options to resolve these issues. The ultimate resolution of these compliance issues and related investigations and the nature and severity of possible additional sanctions cannot be predicted, but regulatory and law enforcement authorities have been imposing severe and significant monetary and other penalties against a number of banking institutions for violations of the Bank Secrecy Act and related statutes. See also “Item 3. Key Information - D. Risk factors - Regulatory changes or enforcement initiatives could adversely affect our business” and “- We are subject to legal risk which may have an adverse impact on our results.”

Iran

In April 2006 the Bank established a Steering Committee to oversee any activities or relationships connected with Iran. Cognizant of its legal duties, the Bank has continued to adopt a conservative approach to conducting business with Iran. As matter of policy, the Bank does not initiate new US Dollar transactions with an Iranian element, and does not engage in U-turns that would otherwise be exempt from OFAC regulations other than in exceptional circumstances which require approval from Group Compliance (e.g. to exit a relationship). Following these internal policies, there have been no new USD exposures with Iran since February 2006 and the existing USD exposure has been further reduced significantly. While our USD exposure in the past consisted of a mixture of loan, trade and currency transactions, our main current USD exposure represents historical loan facilities.

C. Organisational structure

A list of our significant subsidiaries can be found in Note 49 to our consolidated financial statements.

D. Property, plants and equipment

At 31 December 2006, the Group operated 664 offices and branches in the Netherlands (2005: 655) and 3,868 offices and branches (2005: 2,902) in 55 other countries and territories (2005:58). Of these offices and branches, 449 (2005: 448) were in North America, 2,154 (2005: 2,157) in Latin America and the Caribbean, 1,144 (2005: 142) were in Europe, 8 (2005: 44) were in the Middle East and Africa and 113 (2005:111) were in the Asia Pacific Region. Approximately 48% (2005: 52%) of the offices and branches are owned (based on square meters) and the remainder are under lease agreements.

Item 4A. UNRESOLVED STAFF COMMENTS

Our reconciliation between IFRS and US GAAP, as set out in Note 50 to our consolidated financial statements, includes a reconciling item with respect to allowances for loan losses. This item lowers shareholders’ equity under US

GAAP by EUR 540 million (net of tax EUR 346 million) for 2006 and by EUR 538 million (net of tax EUR 344 million) for 2005. The impact on net profit is a lower US GAAP income of EUR 58 million (net of tax EUR 37 million) in 2006 and a higher US GAAP net profit of EUR 99 million (net of tax EUR 65 million) in 2005.

We are currently in discussions with the SEC accounting staff with respect to an unresolved SEC comment. The SEC is inquiring as to the nature of the difference in the application of US GAAP and IFRS with respect to determining loan loss allowances given the similarity of the underlying accounting principles.

This is explained in more detail in Note 50. We understand that as required by US law, the SEC is consulting with both the OCC, the credit supervisor of our subsidiaries in the US, and the Board of Governors of the Federal Reserve. We also understand that the SEC is or will be consulting with European regulatory bodies such as the Authority for Financial Markets ('AFM') and the Dutch Central Bank, as part of the IFRS convergence process.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

The following discussion is based on, and should be read in conjunction with, our consolidated financial statements, included elsewhere in this report. Unless otherwise indicated, the financial information contained in this annual report on Form 20-F has been prepared in accordance with International Financial Reporting Standards or “IFRS” which, as disclosed in Note 50 to our consolidated financial statements, vary in certain significant respects from accounting principles generally accepted in the United States, or “US GAAP”. We have provided the financial information in accordance with IFRS last year for the first time. In previous years, we provided our financial information in accordance with generally accepted accounting principles in the Netherlands or “Dutch GAAP”. See Note 47 to our consolidated financial statements.

The following discussion includes non-GAAP financial measures in addition to GAAP results. See “- A. Operating results - Consolidation effect of controlled private equity investments” for an explanation of the reasons for presenting such measures.

Our business and results are affected by general economic conditions and other business conditions. See “Cautionary Statement on Forward-looking Statements” and “Item 3. Key Information - D. Risk factors”.

Changes in Accounting Rules

For all periods up to and including the year ended 31 December 2004, we prepared our consolidated financial statements in accordance with Dutch GAAP. From 1 January 2005, we were required under EU regulations to prepare our consolidated financial statements in accordance with IFRS. The financial statements for 2005 are the first financial statements prepared in accordance with IFRS and are also in full compliance with IFRS. In order to provide shareholders with comparative data, we made a transition to IFRS on a dual reporting basis as from January 1, 2004. This transition incorporated the impact of applying all IFRS standards and interpretations, including IAS 32 and 39, to our assets (such as loans and property), liabilities (such as pensions) and open contracts (such as derivatives and leases).

The application of IFRS resulted in differences in valuation and income recognition and also had an impact on the presentation of our financial statements. For example, certain preference shares must be presented as liabilities under IFRS. Changes to the cash flow statement were limited to those arising from changes in the balance sheet and income statement (because an indirect method of preparation is used). See Note 47 to the IFRS consolidated financial statements for a reconciliation of our shareholders' equity and income under Dutch GAAP to the comparable amounts determined under IFRS.

Critical Accounting Policies

Please refer to the accounting policies section of our consolidated financial statements.

A. Operating results

The following discussion of operating results is based on, and should be read in conjunction with, our consolidated financial statements. The financial information contained in this review has been prepared in accordance with International Financial Reporting Standards as adopted by the EU or 'IFRS'. In previous years this review was included within our Annual Report on Form 20-F.

This operating and financial review and prospects discusses the Group results under IFRS by comparing the results of operations for the years 2006 to 2005 and for 2005 to 2004, highlighting key notes by Business Unit (BU) for each line item. This is followed by a more detailed discussion of the results of operations for each BU, which explains significant variances in operating income and operating expenses referring to the relevant line items.

Constant foreign exchange rates

Throughout the discussion of the operating and financial review and prospects, the financial results and performance compared with the prior period, both in euros and percentage terms, are given in euros. We may also, where deemed significant, explain variances in terms of 'constant foreign exchange rates' or 'local currency'. Both 'constant foreign exchange rates' and 'local currency' exclude the effect of currency translation differences and are GAAP financial measures which, unlike actual growth, cannot be derived directly from the information in the financial statements. 'Local currency' performance is measured for single currency volume differences. Management assesses, in part, the underlying performance of our individual businesses by separating foreign exchange translation effects throughout the income statement so as to understand the underlying trend of the business performance. The adjustments relate in particular to the impact of fluctuations in exchange rates used in translating results reported by our BUs North America and Latin America respectively in US dollar and Brazilian real into euros, as well as the various currencies in BU Asia.

Management believes that the exclusion of these items provides a better understanding of the underlying operational performance of our businesses during such periods. Fluctuations in exchange rates are outside of the control or influence of management and may distort the analysis of underlying operating performance of our businesses during the periods under review. External stakeholders, such as business analysts, also use these measures. However, we recognise that these measures should not be used in isolation and, accordingly, we begin our analysis on the performance of the Group and of the BUs with the comparable GAAP actual growth measures that reflect all the factors that affect our business.

We calculate the comparable constant foreign exchange rate performance by multiplying the local currency volumes over the period to be compared with the average monthly exchange rates during the previous period being compared. For example, the volumes for the year ended 31 December 2006 have been multiplied with the average monthly exchange rates prevailing during 2005 in order to enable comparison with the 2005 results on a constant basis.

Consolidation effect of controlled private equity investments

IFRS requires the consolidation of private equity investments over which we have control, including non-financial investments managed as private equity investments. However, as a practical matter, our private equity business is managed separately from the rest of our banking business and management does not measure the performance of our banking business based on our consolidated results of operations. Our private equity business involves buying equity stakes in unlisted companies over which we can establish influence or control, and managing these shareholdings as an investor for a number of years with a view to selling these with a profit. The companies in which we have these temporary holdings are active in business outside the financial industry. We believe that combining these temporary holdings with our core banking business does not provide a meaningful basis for discussion of our financial condition and results of operations. Therefore, in the presentation of our 'Group results', we have removed the effects of a line-by-line consolidation in the income statement of the private equity holdings of Private Equity and BU Global Clients. The results excluding the consolidation effect include the 'de-consolidated' holdings based on the equity method. The measures excluding the effects of consolidation of our private equity holdings are non-GAAP financial measures. Our management refers to these non-GAAP financial measures when making operating decisions because the measures provide meaningful supplementary information regarding our operational performance. In accordance with applicable rules and regulations, we have presented, and investors are encouraged to review, reconciliations of non-GAAP financial measures to the most comparable IFRS measures, i.e., reconciliations of our results excluding the consolidation effects of our private equity holdings to our results including those effects.

Consolidated Results of Operations

Group results

The following table sets forth selected information pertaining to the Group for the years ended 31 December 2006, 2005 and 2004 showing the results both under IFRS and excluding the consolidation effect of our private equity investments.

	For the year ended 31 December								
	IFRS			Consolidation effect (1)			Excluding consolidation effect (non-GAAP measure)(2)		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)								
Net interest income	10,575	8,785	8,525	(342)	(280)	(83)	10,917	9,065	8,608
Net fee and commission income	6,062	4,691	4,485	-	-	-	6,062	4,691	4,485
Net trading income	2,979	2,621	1,309	(3)	2	(1)	2,982	2,619	1,310
Results from financial transactions	1,087	1,281	905	15	35	(27)	1,072	1,246	932
Share of result in equity	243	263	206	-	-	-	243	263	206

accounted investments									
Other operating income	1,382	1,056	745	-	(6)	-	1,382	1,062	745
Income of consolidated private equity holdings	5,313	3,637	2,616	5,313	3,637	2,616	-	-	-
Operating income	27,641	22,334	18,791	4,983	3,388	2,505	22,658	18,946	16,286
Operating expenses	20,713	16,301	15,180	4,939	3,366	2,499	15,774	12,935	12,681
Operating result	6,928	6,033	3,611	44	22	6	6,884	6,011	3,605
Loan impairment and other credit risk provisions	1,855	635	607	-	-	-	1,855	635	607
Operating profit before taxes	5,073	5,398	3,004	44	22	6	5,029	5,376	2,998
Income tax expense	902	1,142	715	44	22	6	858	1,120	709
Net operating profit	4,171	4,256	2,289	-	-	-	4,171	4,256	2,289
Profit from discontinued operations net of tax	609	187	1,651	-	-	-	609	187	1,651
Profit for the year	4,780	4,443	3,940	-	-	-	4,780	4,443	3,940
Total assets	987,064	880,804	727,454	4,537	3,477	2,393	982,527	877,327	725,061
Risk-weighted assets	280,704	257,854	231,622	-	-	-	280,704	257,854	231,622
Full-time equivalent staff	137,880	120,301	110,870	30,881	27,775	17,938	106,999	92,526	92,932
Number of branches and offices (3)	4,634	3,681	3,605	-	-	-	4,634	3,681	3,605
Efficiency ratio (in %) (4)	74.9%	73.0%	80.8%	99.1%	99.4%	99.8%	69.6%	68.3%	77.9%

(1) This is the impact per line item of the private equity investments which are required to be consolidated under IFRS. See the accounting policies section of our consolidated financial statements.

(2) See “-A. Operating results - Consolidation effect of controlled private equity investments” for an explanation of our use of non-GAAP financial measures.

(3) This number includes double counting of branches and offices that serve more than one BU. Adjusted for this double counting, the actual number of branches and offices amounts to 4,532 (2005: 3,557; 2004: 3,498).

(4) Efficiency ratio (in %) is the operating expenses divided by the operating income.

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year increased by EUR 337 million, or 7.6%, to EUR 4,780 million. Profit from continuing operations decreased by EUR 85 million, or 2.0%, to EUR 4,171 million. This reflects a mixed performance across the BUs. The major variances year-on-year are: BU Europe (plus EUR 146 million), BU Netherlands (plus EUR 105 million), Private Equity (plus EUR 146 million), BU Global Clients (minus EUR 249 million) and Group Functions (minus EUR 290 million). Profit from discontinued operations net of tax amounted to EUR 609 million, reflecting the divestment of the property development and management activities of Bouwfonds and the classification of ABN AMRO Mortgage Group, Inc., our US-based residential mortgage broker origination platform and residential mortgage servicing business, as held-for-sale. Profits from discontinued operations include the related operating results and applicable gain on the sale.

Operating income

Operating income increased by EUR 5,307 million, or 23.8%, to EUR 27,641 million (non-GAAP: operating income increased by EUR 3,712, or 19.6%). This mainly relates to BU Europe (plus EUR 2,302 million), Private Equity (plus EUR 1,796 million, non-GAAP plus 99 million), BU Latin America (plus EUR 675 million), BU Asia (plus EUR 282 million), BU North America (plus EUR 225 million) and BU Asset Management (plus EUR 116 million).

Key notes:

- Operating income in BU Europe increased as a result of the consolidation of Antonveneta and higher Global Markets revenues.

- The increase in Private Equity was caused by higher operating income of consolidated private equity investments.

- The increase in BU Latin America is mainly due to the continued growth in the retail and consumer finance loan portfolio, partly offset by the inclusion in 2005 of the book profit on the sale of Real Seguros (EUR 229 million).

- BU Asia grew revenues as its Preferred Banking activities and credit card business continued to expand, especially in India, China, Hong Kong and Taiwan.

- Operating income in BU North America increased, mainly due to an improved contribution from all business lines, despite challenges from the yield curve, which was inverted or flat for the most of the year, with pressure on interest spreads as a result, and to the impact of the settlement (EUR 110 million).

- The increase in BU Asset Management reflected the increase by EUR 14.9 billion in net new money.

Net interest income

Net interest income increased by EUR 1,790 million, or 20.4%, to EUR 10,575 million, mainly due to BU Europe (plus EUR 1,564 million), BU Latin America (plus EUR 695 million) and BU North America (plus EUR 137 million), partly offset by a decrease in BU Netherlands (minus EUR 250 million).

Key notes:

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• The increase in BU Europe reflects the consolidation of Antonveneta in 2006.

• Net interest income in BU Latin America increased mainly due to the continued growth of the Brazil credit portfolio.

• The increase in BU North America was mainly due to continued commercial loan growth and higher deposit spreads.

• The decrease in BU Netherlands reflects the fact that mortgage prepayment penalty income is affected by higher offsetting transactions in 2006.

Net fee and commission income

The following table sets forth the net fee and commission income for the Group for the years ended 31 December 2006, 2005 and 2004.

	2006	2005	2004
Fee and commission income			
Securities brokerage fees	1,785	1,560	1,548
Payment and transaction services fees	2,123	1,530	1,401
Asset management and trust fees	1,562	1,153	1,041
Fees generated on financing arrangements	248	180	158
Advisory fees	500	336	311
Insurance related commissions	168	168	130
Guarantee fees	223	218	160
Other fees and commissions	518	427	436
Subtotal	7,127	5,572	5,185
Fee and commission expense			
Securities brokerage expense	330	321	281
Payment and transaction services expense	287	165	125
Asset management and trust expense	151	127	126
Other fee and commission expense	297	268	168
Subtotal	1,065	881	700
Total	6,062	4,691	4,485

Net fee and commission income increased by EUR 1,371 million, or 29.2%, to EUR 6,062 million, mainly due to an increase in BU Europe (plus EUR 482 million), BU Global Clients (plus EUR 415 million), BU Asia (plus EUR 172 million), BU Asset Management (plus EUR 121 million) and BU Latin America (plus EUR 105 million).

Key notes:

- The increase in BU Europe reflects the consolidation of Antonveneta in 2006.
- The increase in BU Global Clients was mainly due to further focus on fee-driven products, which led to a change in the product mix with strong growth in primary and secondary capital markets products.
- The increase in BU Asia reflected the higher asset-under-management levels, the higher fee levels on existing products and a further shift in the asset mix towards more profitable products.

Additional notes by line item:

- Securities brokerage fees income increased by EUR 225 million, or 14.4%, to EUR 1,785 million, mainly due to our Hong Kong branch activities in BU Asia and the inclusion of Antonveneta.
- Payment and transaction services fees income increased by EUR 593 million, or 38.8%, to EUR 2,123 million, mainly due to the inclusion of Antonventa and an increase in BU Latin America.
- Asset management and trust fees income increased by EUR 409 million, or 35.5%, to EUR 1,562 million, mainly due to the increases in BU Asset Management, BU Netherlands and BU Private Clients, and the inclusion of Antonveneta.

Net trading income

The following table sets forth the net trading income for the Group for the years ended 31 December 2006, 2005 and 2004.

	2006	2005	2004
Securities	61	978	179
Foreign exchange transactions	789	662	687
Derivatives	2,199	933	380
Other	(70)	48	63
Total	2,979	2,621	1,309

Net trading income increased by EUR 358 million, or 13.7%, to EUR 2,979 million, mainly due to BU Asia (plus EUR 179 million), BU Latin America (plus EUR 152 million) and BU Netherlands (plus EUR 94 million), partly offset by a decrease in BU Global Clients (minus EUR 148 million).

Key notes:

- Net trading income increased in BU Asia resulting from higher equity finance income in Hong Kong and Taiwan.

- The increase in BU Netherlands was mainly due to higher results on the sale of derivatives.

Results from financial transactions

The following table sets forth the results from financial transactions for the Group for the years ended 31 December 2006, 2005 and 2004.

	2006	2005	2004
Net gain from the disposal of available-for-sale debt securities	634	431	179
Net gain from the sale of available-for-sale equity investments	158	55	154
Dividend on available-for-sale equity investments	71	54	48
Net gain on other equity investments	491	514	694
Hedging ineffectiveness	58	39	(112)
Fair value change of credit default swaps	(280)	(51)	(12)
Other	(45)	239	(46)
Total	1,087	1,281	905

Results from financial transactions decreased by EUR 194 million, or 15.2%, to EUR 1,087 million, mainly due to Group Functions (minus EUR 438 million), partly offset by BU Europe (plus EUR 144 million) and BU North America (plus EUR 76 million).

Key notes:

- The decrease in Group Functions is mainly due to lower results on the sale of bonds and losses on credit default swaps due to tightening spreads, while 2005 included option results on Antonveneta.

- The increase in BU Europe is mainly due to the inclusion of Antonveneta.

Additional notes by line item:

- Net gain from the disposal of available-for-sale debt securities increased by EUR 203 million, or 47.1%, to EUR 634 million, mainly due to an increase in BU North America, partly offset by lower asset and liability management results in Group Functions.

Share of result in equity accounted investments

Share of result in equity accounted investments decreased by EUR 20 million to EUR 243 million, mainly due to Group Functions (minus EUR 47 million) due to lower results from our interests in Antonveneta, which was consolidated in 2006, and Kereskedelmi és Hitelbank Rt., which was sold in 2006, partly offset by a higher contribution from our investment in Capitalia.

Other operating income

The following table sets forth the results from other operating income for the Group for the years ended 31 December 2006, 2005 and 2004.

	2006	2005	2004
Insurance activities	103	150	177
Leasing activities	61	60	63
Disposal of operating activities and equity accounted investments	553	347	187
Other	665	499	318
Total	1,382	1,056	745

Other operating income increased by EUR 326 million, or 30.9%, to EUR 1,382 million, mainly due to the Group Functions (plus EUR 435 million), BU North America (plus EUR 89 million), partly offset by BU Latin America (minus EUR 318 million).

Key notes:

- The increase in Group Functions was due to the gain on the sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million) and the gain on the sale of the Futures business (EUR 229 million).

- Other operating income in BU North America increased due to the inclusion of the impact of the Talman settlement (EUR 110 million), see "—BU North America", below, for details.

- The decrease in BU Latin America is due to the inclusion of the gain (EUR 229 million) on the sale of Real Seguros in 2005.

Income of consolidated private equity holdings

Income of consolidated private equity holdings increased by EUR 1,676 million, or 46.1%, to EUR 5,313 million, due to the increase in number and in size of the consolidated investments of private equity.

Operating expenses

Operating expenses increased by EUR 4,412 million, or 27.1%, to EUR 20,713 million (non-GAAP: EUR 2,839 million, or 21.9%), mainly due to Private Equity (plus EUR 1,640 million, non-GAAP minus EUR 37 million), the consolidation of Antonveneta (plus EUR 1,310 million), BU Global Clients (plus EUR 275 million, non-GAAP plus EUR 379 million), Group Functions (plus EUR 354 million), BU Latin America (plus EUR 371 million), BU Europe, excluding Antonveneta, (plus EUR 225 million) and BU Asia (plus EUR 175 million), partly offset by lower operating expenses in BU Netherlands (minus EUR 164 million).

Key notes:

- The increase in Private Equity was caused by higher operating expenses of consolidated private equity investments.

- The increase in BU Global Clients was mainly due to a shift in product mix, which led to an increase in allocated infrastructure and product costs. The operating expenses include a restructuring charge (EUR 19 million) for Group Shared Services reorganisations.

- Operating expenses increased in growth markets in BU Latin America and BU Asia and included branch openings and marketing campaigns. Operating expenses in BU Latin America were also impacted by a stronger Brazilian real and the collective labour agreements that came into effect in September 2005 and September 2006.

- Operating expenses increased in Group Functions, mainly due to the inclusion of a release of post-retirement healthcare benefit provision (EUR 392 million) in 2005.

- The BU Netherlands continued to benefit from strict cost control measures, resulting in lower staff costs.

Loan impairment and other credit risk provisions

Loan impairment and other credit provisions increased by EUR 1,220 million to EUR 1,855 million, of which EUR 1,154 million in the consumer portfolio and EUR 701 million in the commercial portfolio. The provisioning level was substantially higher as provisioning for consumer loan portfolios in the BU Latin America (plus EUR 374 million) and the BU Asia (plus EUR 191 million) went up while the consolidation of Antonveneta resulted in an increase of EUR 382 million in provisions.

Key notes:

- Higher loan impairment and other credit risk provisions in BU Latin America were due to the increase in absolute consumer loan volumes and increased delinquencies.

- The increase in BU Asia mainly reflected higher provisioning for credit card receivables in Taiwan, where the banking industry was significantly impacted by an increase in credit card defaults.

See also Note 50 to our consolidated financials regarding our allowance for loan loss.

Effective tax rate

The overall effective tax rate for 2006 was 17.8% versus 21.2% in 2005. Included in 2006 are tax credits, tax charges due to changes in the tax law and tax-exempt gains which exceeded the 2005 tax rate levels, as well as changes in tax rates.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax increased to EUR 609 million in 2006 from EUR 187 million in 2005. On 1 December 2006, the Group disposed of the property development and management activities of Bouwfonds, resulting in profits of EUR 505 million in BU Netherlands, EUR 338 million of which related to the net gain on the sale and EUR 167 million results from operations.

On 22 January 2007, the Group announced the sale of ABN AMRO Mortgage Group, Inc., our US-based residential mortgage broker origination platform and residential mortgage servicing business recording a result of EUR 104 million in BU North America. Profit from discontinued operations net of tax of EUR 187 million in 2005 was due to the classification as discontinued operations of Bouwfonds (EUR 136 million) in BU Netherlands and the ABN AMRO Mortgage Group, Inc. (EUR 51 million) in BU North America.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year 2005 increased by EUR 503 million, or 12.8%, to EUR 4,443 million.

Profit from continuing operations rose by EUR 1,967 million, or 85.9%, to EUR 4,256 million, with increases in all BUs, except Private Equity (minus EUR 142 million) and BU Asia (minus EUR 68 million), and a strong performance in BU Netherlands (plus EUR 373 million), BU Global Clients (plus EUR 364 million), BU Latin America (plus EUR 361 million), BU Europe (plus EUR 321 million), Group Functions (plus EUR 311 million) and BU North America (plus EUR 294 million).

Operating income

Operating income increased by EUR 3,543 million or 18.9% to EUR 22,334 million, driven by strong organic growth in all BUs, mainly in BU Latin America (plus EUR 1,032 million), Private Equity (plus EUR 599 million, non-GAAP minus EUR 182 million), BU Europe (plus EUR 432 million), BU Netherlands (plus EUR 402 million), BU Global Clients (plus EUR 362 million), BU North America (plus EUR 294 million), BU Asia (plus EUR 167 million), BU Private Clients (plus EUR 151 million) and BU Asset Management (plus EUR 117 million).

Key notes:

- The increase in operating income in BU Latin America was partly due to the gain from the sale of Real Seguros (EUR 229 million), the strong growth in the retail loan portfolio and the appreciation of the Brazilian real.

- The increase in Private Equity resulted from the increase in operating income of consolidated private equity investments.

- The increase in BU Netherlands was driven by volume growth in consumer loans and savings, and higher levels of mortgage prepayment penalties.

- The increase in operating income in BU Global Clients was mainly due to enhanced activity and larger investments by our clients.

- Operating income in BU North America rose as the result of an increase in commercial banking revenues and lower hedging costs related to the available-for-sale portfolio.

- BU Asia's operating income continued to grow strongly, driven by the success of the credit card business, the Van Gogh Preferred Banking activities and strong operating income growth from Global Markets clients, mainly driven by fixed income, futures and foreign exchange products, in particular in structured derivatives.

Net interest income

Net interest income increased by EUR 260 million, or 3.1%, to EUR 8,785 million, mainly due to BU Latin America (plus EUR 674 million) and BU Netherlands (plus EUR 237 million), partly offset by BU Europe (minus EUR 459 million).

Key notes:

- The increase in BU Latin America was mainly driven by organic growth in the retail portfolio.

- The increase in BU Netherlands was mainly driven by increased loan and saving volumes and higher mortgage prepayment penalties.

- The decrease in BU Europe needs to be evaluated in the light of a reclassification in 2005 between net interest income and net trading income (impact approximately EUR 550 million) resulting from the transition to IFRS. This required changes to reporting and data flows that we completed in 2005. For 2004, we were only able to estimate the amount, due to the complexity and the volume of transactions involved.

Net fee and commission income

Net fee and commission income increased by EUR 206 million, or 4.6%, to EUR 4,691 million. The main contributors were BU North America (plus EUR 115 million), BU Asset Management (plus EUR 61 million) and BU Private Clients (plus EUR 52 million), partly offset by a decrease in BU Europe (minus EUR 111 million).

Key notes:

- The increase in BU North America was mainly due to higher Global Markets client commissions. The number of personal and small business checking accounts in BU North America increased by more than 27,000, which led to higher checking-related and trustee-related fees.

- The increase in BU Asset Management resulted from an improved asset mix towards more profitable products and the higher fee levels on existing products. This increase is visible in the line asset management and trust fees income.

- The increase in BU Private Clients was mainly due to higher securities income resulting from a substantial number of new product launches.

- Payment services increased mainly in BU Asia following the growth in the credit card business.

Net trading income

Net trading income increased by EUR 1,312 million, or 100.2%, to EUR 2,621 million, mainly due to BU Europe (plus EUR 778 million), BU Global Clients (plus EUR 192 million), BU Netherlands (plus EUR 179 million) and BU North America (plus EUR 87 million).

Key notes:

- The increase in BU Europe needs to be evaluated in light of the aforementioned reclassification of interest (impact approximately EUR 550 million) resulting from the transition to IFRS.

- BU Global Clients net trading income increased due to growth in derivative trading.

- The increase in BU Netherlands was mainly due to higher Global Markets client trading results and higher results on the sale of derivatives.

- The increase in BU North America was mainly due to higher Global Markets trading results.

- Net trading income in Group Functions included a provision for balance-sheet adjustments (minus EUR 86 million).

Results from financial transactions

Results from financial transactions increased by EUR 376 million, or 41.6%, to EUR 1,281 million, mainly due to BU North America (plus EUR 275 million), BU Europe (plus EUR 143 million) and Group Functions (plus EUR 136 million), partly offset by a decrease in Private Equity (minus EUR 226 million).

Key notes:

- The increase in BU North America resulted from lower hedging costs related to the available-for-sale portfolio.

- The increase in Group Functions was mainly due to the revaluation of Antonveneta options, gain on the sale of available-for-sale bonds, and gains on derivative results, partly offset by the gain on the sale of our stake in Bank Austria in 2004.

Share of result in equity accounted investments

Share of result in equity accounted investments increased by EUR 57 million, or 27.7%, to EUR 263 million, mainly due to Group Functions (plus EUR 94 million), partly offset by a decrease in BU Asia (minus EUR 54 million).

Key notes:

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The increase in Group Functions was due to higher results from our investments in Capitalia, Antonveneta, and Hungary’s Kereskedelmi és Hitelbank Rt.

- The decrease in BU Asia was mainly due to the inclusion in 2004 of the sale of shares in the Thai brokerage operations.

Other operating income

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Other operating income increased by EUR 311 million, or 41.8%, to EUR 1,056 million, mainly due to the gain from the sale of Real Seguros (EUR 229 million) in BU Latin America, the gain from the sale of Nachenius, Tjeenk & Co (EUR 38 million) in BU Private Clients and the gain from the sale of the Bishopsgate office in London (EUR 43 million) in BU Europe.

Income of consolidated private equity holdings

Income of consolidated private equity holdings increased by EUR 1,021 million, or 39.0%, to EUR 3,637 million. Controlled private equity investments are consolidated under IFRS.

Operating expenses

Operating expenses increased by EUR 1,121 million, or 7.4%, to EUR 16,301 million (non-GAAP: EUR 254 million, or 2.0%), mainly due to Private Equity (plus EUR 777 million, non-GAAP plus EUR 14 million), BU Latin America (plus EUR 462 million), BU Asia (plus EUR 204 million), BU North America (plus EUR 135 million), partly offset by a decrease in Group Functions (minus EUR 319 million) and BU Netherlands (minus EUR 243 million).

Key notes:

- All BUs were impacted by greater expenditure on compliance. Our total expenditure on compliance in 2005 was approximately EUR 186 million (versus EUR 58 million in 2004).

- The increase in Private Equity was caused by higher operating expenses of consolidated private equity investments. The consolidation effect is the impact of the results of private equity investments, which are consolidated because these investments are controlled by the Group. Excluding consolidation effect (non-GAAP) Private Equity operating expenses increased by EUR 14 million.

- The increase in BU Latin America was driven by an increase in personnel costs as a result of the new collective labour agreement, the appreciation of the Brazilian real and the following expenses the settlement of pension fund obligations related to the bonus element of the collective labour agreements of previous years and information technology expenses.

- BU Asia operating expenses increased due to continued investments in the form of new branch openings and marketing campaigns.

- The increase in BU North America was mainly due to higher start-up costs of Group projects related to compliance, human resources and information technology.

- Operating expenses decreased in BU Netherlands, mainly due to the inclusion of a restructuring charge in 2004 results (EUR 408 million) for both former Wholesale Clients and Group Shared Services organisations. Additional costs arose from a new collective labour agreement, but more substantially from the buy-out of the profit-sharing agreements and the new flexible bonus scheme that replaced them.

- The decrease in Group Functions was mainly due to the release of the post-retirement healthcare benefit provision of 392 million). The results in 2004 included a charge (EUR 177 million) for the buy-out of the profit-sharing agreements.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 28 million, or 4.6%, to EUR 635 million, mainly due to BU Latin America (plus EUR 118 million) and BU Netherlands (plus EUR 108 million), partly offset by a decline in BU North America (minus EUR 247 million).

Key notes:

- The rise in BU Latin America should be viewed against the background of strong loan growth.

- The increase in BU Netherlands reflected the weak economic environment in the Netherlands and the strong growth in the consumer finance portfolio.

• BU North America benefited from an improvement in the quality of the credit portfolio as well as from releases and recoveries.

Effective tax rate

The effective tax rate for the Group declined from 23.8% in 2004 to 21.2% in 2005. This was mainly the result of the low effective tax rates at Group Functions and Private Equity.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax of EUR 187 million in 2005 was due to the classification as discontinued operations of the property development and management activities of Bouwfonds (EUR 136 million) in BU Netherlands and ABN AMRO Mortgage Group, Inc. (EUR 51 million) in BU North America.

Profit from discontinued operations net of tax of EUR 1,651 million in 2004 was due to the net profit of LeasePlan (EUR 1,207 million) in Group Functions, Bank of Asia (EUR 240 million) in BU Asia, Bouwfonds (EUR 146 million) in BU Netherlands and the ABN AMRO Mortgage Group, Inc. (EUR 58 million) in BU North America. LeasePlan and Bank of Asia were sold in 2004 and the gain on the sales of these investments of EUR 1,275 million is reflected in profit from discontinued operations net of tax.

Results of Operations by BU

Changes to reporting structure and presentation

The results of operations for the years ended 31 December 2005 and 2004 reflect the reconstructed results of operations for the years ended 31 December 2005 and 2004 of the new BUs assuming the new reporting structure had been in place during 2005 and 2004. In order to estimate the results presented, the former Wholesale Clients results have been allocated into those of the regional BUs, BU Global Clients and Group Functions, consistently applying relevant allocation keys for revenues and expenses. Operating income is attributed to BU Global Clients on the basis of a defined name-by-name list of global clients. The operating expenses of BU Global Clients include the directly attributable costs of the BU and the allocated costs of the products sold to BU Global Clients. The product costs are allocated on the basis of defined cost drivers. The results of Group Functions include the results of a defined set of products for which the product costs are allocated on the basis of defined cost drivers. The regional BU results include the results of our commercial clients in the respective regions and Global Markets products other than the results from proprietary trading and futures, which are included in Group Functions. The operating income is attributed to those regions where the transactions were performed and the costs allocated on the basis of defined cost drivers.

• The results from BU Netherlands include the results of the former Consumer & Commercial Clients BU Netherlands, the former Dutch Wholesale Clients and the mortgage activities from Bouwfonds.

• The results from BU Europe include the former European (excluding Dutch) commercial Wholesale Clients and former Consumer & Commercial Clients BU New Growth Markets.

• The results from BU North America include the results from the former Consumer & Commercial Clients BU North America and the North American activities of former Wholesale Clients.

• The results from BU Latin America include the results from the former Consumer & Commercial Clients BU Brazil and the Latin American activities of the former Wholesale Clients.

• The results from BU Asia include the results from the Asian activities of both the former Consumer & Commercial Clients BU New Growth Markets and the former Wholesale Clients.

• The results from BU Private Clients include the results from the International Diamond & Jewelry Group.

• The results from proprietary trading and futures trading (Global Markets operating income that can not be allocated to the regions as they are related to clients) are included in Group Functions. The results from Group

Functions also include the results from our participations in Capitalia and Antonveneta (up to 31 December 2005) and Kereskedelmi és Hitelbank Rt. (up to 29 May 2006).

BU Netherlands

The table sets forth selected information pertaining to BU Netherlands, for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	3,078	3,328	3,091
Net fee and commission income	751	710	668
Net trading income	486	392	213
Results from financial transactions	28	2	19
Share of result in equity accounted investments	51	13	32
Other operating income	246	184	204
Operating income	4,640	4,629	4,227
Operating expenses	3,118	3,282	3,525
Operating result	1,522	1,347	702
Loan impairment and other credit risk provisions	359	285	177
Operating profit before taxes	1,163	1,062	525
Income tax expense	319	323	159
Net operating profit	844	739	366
Profit from discontinued operations net of tax	505	136	146
Profit for the year	1,349	875	512
Total assets	169,862	176,874	174,102
Risk-weighted assets	75,617	78,725	85,320
Full-time equivalent staff	21,778	22,373	23,252
Number of branches and offices	643	683	676
Efficiency ratio (in %)	67.2%	70.9%	83.4%

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year increased by EUR 474 million, or 54.2%, to EUR 1,349 million. Profit from continuing operations increased by EUR 105 million, or 14.2%, to EUR 844 million, mainly as the result of a decrease in operating expenses of EUR 164 million, partly offset by an increase of loan impairment and other credit risk provisions of EUR 74 million. Profit from discontinued operations net of tax increased by EUR 369 million, reflecting the EUR 338 million net gain on the sale of Bouwfonds property development and management activities and EUR 31 million increase in results from operations (EUR 167 million in 2006 compared with EUR 136 million in 2005).

Operating income

Operating income was almost flat at EUR 4,640 million.

- Net interest income decreased by EUR 250 million, or 7.5%, which was affected by EUR 215 million of mortgage prepayment penalties in 2005 that were not neutralised, compared with only EUR 14 million in 2006. This negatively affected the year-on-year growth in net interest income by EUR 201 million.

- Excluding the EUR 201 million year-on-year difference in net mortgage prepayment penalties, operating

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income increased by 4.8% to EUR 4,626 million, mainly driven by the consumer and commercial clients business, which increased revenues on the back of higher net interest income.

- Net fee and commission income increased by EUR 41 million, or 5.8%, resulting from higher commission on banking transactions, securities and asset management.

- Net trading income increased by EUR 94 million, or 24.0%, mainly due to higher income on the sale of derivatives.

- Other operating income increased by EUR 62 million, or 33.7%, mainly due to gains on the disposal of real estate.

Operating expenses

Operating expenses decreased by EUR 164 million, or 5.0%, to EUR 3,118 million, mainly due to lower personnel costs as a result of a reduction in full-time equivalents (from 22,373 in 2005 to 21,778 in 2006), partly offset by EUR 29 million restructuring charges for the Services initiative and EUR 14 million restructuring charges for Risk and Global Markets reorganisations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 74 million, or 26.0%, to EUR 359 million, mainly due to higher provisions for the consumer credit portfolio and the small and medium-sized enterprises (SME) portfolio. The increase in provisioning was related to the overall loan growth and a shift in business mix, due to strong growth of consumer and SME credits,which is fully in line with the BU Netherlands' strategy.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year 2005 increased by EUR 363 million, or 70.9%, to EUR 875 million. This reflects an increase in operating income of EUR 402 million and a decrease in operating expenses of EUR 243 million, partly offset by an increase in loan impairment and other credit risk provisions of EUR 108 million.

Operating income

Operating income grew by EUR 402 million, or 9.5%, to EUR 4,629 million as BU Netherlands continued to benefit from the implementation of its strategy to become the primary bank for all its customers. Its continued improvements in services and product offerings led to much higher client satisfaction levels, especially for mid-market clients such as preferred banking customers, medium-sized enterprises and corporate clients. As a result, BU Netherlands grew its mid-market client base and also sold more products to these clients. In addition, it was able to gain market share in loans, savings, and life insurance products.

- Net interest income increased by EUR 237 million, or 7.7%, mainly driven by increased loan and saving volumes and higher mortgage prepayment penalties. Mortgage prepayment penalties in 2005 amounted to EUR 215 million, compared with EUR 116 million in 2004. This is a reflection of the high levels of mortgage refinancing in the Netherlands.

- Net fee and commission income increased by EUR 42 million, or 6.3%, mainly due to a strong growth in commission on securities resulting from the improved stock market climate.

- Net trading income increased by EUR 179 million, or 84.0%, mainly due to higher Global Markets trading results and due to higher results on the sale of derivatives. This is a reflection of the success of the regional treasury desk, which combines BU Netherlands' regional relationships with its mid-market corporate clients and product expertise from former Wholesale Clients.

Operating expenses

Operating expenses decreased by EUR 243 million, or 6.9%, to EUR 3,282 million, mainly due to the restructuring charge in the 2004 results (EUR 408 million) for both former Wholesale Clients and Global Shared

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Service organisations, partly offset by higher commercial expenses and costs arising from compliance with the Sarbanes-Oxley Act, Basel II and other regulations. Additional costs arose from compensating staff on the termination of profit-sharing agreements. A new collective labour agreement provided that staff will be compensated in 2005 and 2006 for 3.5 years of profit-sharing. The cost for the 2005 compensation was included in the income statements at the end of 2004 (in Group Functions). The costs for the 2006 pay-out were accrued over 2005 (in BU Netherlands).

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions rose by EUR 108 million, or 61.0%, to EUR 285 million, mainly in the SME and the consumer loan portfolio. This is a reflection of the continued expansion in the loan volume and higher than average growth in our consumer finance portfolio.

BU Europe

The table below sets forth selected information pertaining to BU Europe including Antonveneta, Antonveneta and BU Europe excluding Antonveneta, for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December								
	BU Europe including Antonveneta			Antonveneta			BU Europe excluding Antonveneta		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
	(in millions of EUR, except staff, branches and offices and percentages)								
Net interest income	1,316	(248)	211	1,206	-	-	110	(248)	211
Net fee and commission income	783	301	412	596	-	-	187	301	412
Net trading income	1,032	957	179	67	-	-	965	957	179
Results from financial transactions	169	25	(118)	115	-	-	54	25	(118)
Share of result in equity accounted investments	1	3	-	1	-	-	-	3	-
Other operating income	111	72	(6)	86	-	-	25	72	(6)
Operating income	3,412	1,110	678	2,071	-	-	1,341	1,110	678
Operating expenses	2,743	1,208	1,293	1,310	-	-	1,433	1,208	1,293
Operating result	669	(98)	(615)	761	-	-	(92)	(98)	(615)
Loan impairment and other credit risk provisions	397	(35)	(60)	382	-	-	15	(35)	(60)
Operating profit / (loss) before taxes	272	(63)	(555)	379	-	-	(107)	(63)	(555)
Income tax expense	229	40	(131)	187	-	-	42	40	(131)
Net operating profit / (loss)	43	(103)	(424)	192	-	-	(149)	(103)	(424)
Profit / (loss) for the year	43	(103)	(424)	192	-	-	(149)	(103)	(424)
Total assets	390,326	304,816	236,558	51,485	-	-	338,841	304,816	236,558

Risk-weighted assets	65,544	28,127	27,681	40,130	-	-	25,414	28,127	27,681
Full-time equivalent staff	17,641	6,221	6,013	9,607	-	-	8,034	6,221	6,013
Number of branches and offices	1,090	63	59	1,014	-	-	76	63	59
Efficiency ratio (in %)	80.4%	108.8%	190.7%	63.3%	-	-	106.9%	108.8%	190.7%

Antonveneta

As we only took control of Antonveneta on 2 January 2006, we have not made a comparison between the results of operations for the years ended 31 December 2006, 2005 and 2004 for this entity. Profit for the year was EUR 192 million net of purchase accounting from the valuation of intangible assets (amounting to EUR 1,194 million) and fair value adjustments of financial assets and liabilities. The intangible assets are amortised over a period of approximately eight years within operating expenses. The fair value adjustments are substantially amortised through net interest income over a period ranging from one to eight years dependent on the duration of the respective assets and liabilities and adjusted realised gains on sales of related assets and liabilities.

BU Europe excluding Antonveneta

Results of operations for the years ended 31 December 2006 and 2005

Results for the year decreased by EUR 46 million to a loss of EUR 149 million. This reflects an increase in operating income of EUR 231 million, an increase in operating expenses of EUR 225 million and an increase in loan impairment and other credit risk provisions of EUR 50 million.

Operating income

Operating income increased by EUR 231 million, or 20.8%, to EUR 1,341 million, predominantly on the back of higher Global Markets income, as client income grew strongly.

Equity revenues benefited from increased client activity, particularly in derivative and structured products. Fixed Income Capital Markets had a strong year as it was able to successfully execute a number of deals for regional clients. Financial Markets also had a good year due to the introduction of a number of innovative new products.

The Private Investor Product offering, focused on Germany, Switzerland and Italy, grew during the year. Mergers & Acquisitions and Equity Capital Markets revenues were up on the back of strong deal volumes.

Transaction Banking revenues increased due to a strong performance of Central and Eastern Europe, particularly cash flow advisory for Russian and Kazakh energy sector clients.

Increased focus and an upgraded coverage model for financial institutions throughout 2006 led to almost 75% growth in revenues from Financial Institutions and Public Sector clients. Corporate client revenues also benefited from our focused regional client coverage, and revenues increased by over 30%. Other operating income in 2005 included the gain on the sale of the Bishopsgate office in London (EUR 43 million).

Operating expenses

Operating expenses increased by EUR 225 million, or 18.6%, to EUR 1,433 million, mainly due to EUR 40 million restructuring charges for Global Markets and Services and an increase in expenses linked to the growth in operating income, higher bonus expenses and higher costs for compliance with the Sarbanes-Oxley Act and other regulations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 50 million to a charge of EUR 15 million due to lower releases.

Results of operations for the years ended 31 December 2005 and 2004

Results for the year 2005 increased by EUR 321 million to a loss of EUR 103 million. This reflects an increase in operating income of EUR 432 million, a decrease in operating expenses of EUR 85 million and an increase in loan impairment and other credit risk provisions of EUR 25 million.

Operating income

Operating income increased by EUR 432 million, or 63.7%, to EUR 1,110 million, due to the increase in revenues from Global Markets. For the year 2005, the operating income lines net interest income and net trading income should be viewed together due to a reclassification in 2005 between net interest and net trading income resulting from the transition to IFRS (impact approximately EUR 550 million). This required changes to reporting and data flows that we completed in 2005. For 2004, we were only able to estimate the amount, due to the complexity and the volume of transactions involved.

• Net interest income decreased by EUR 459 million to minus EUR 248 million and net trading income increased by EUR 778 million to EUR 957 million. Viewed together, the increase was due to higher Global Markets results.

• Other operating income in 2005 included the gain on the sale of the Bishopsgate office in London (EUR 43 million).

Operating expenses

Operating expenses decreased by EUR 85 million, or 6.6%, to EUR 1,208 million. The 2004 results included

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restructuring charges (EUR 123 million) for both former Wholesale Clients and Group Shared Services reorganisations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 25 million to a release of EUR 35 million, due to lower level of releases.

BU North America

The table sets forth selected information pertaining to BU North America for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	2,348	2,211	2,332
Net fee and commission income	697	734	619
Net trading income	229	269	182
Results from financial transactions	155	79	(196)
Share of result in equity accounted investments	4	4	2
Other operating income	313	224	288
Operating income	3,746	3,521	3,227
Operating expenses	2,457	2,299	2,164
Operating result	1,289	1,222	1,063
Loan impairment and other credit risk provisions	38	(86)	161
Operating profit before taxes	1,251	1,308	902
Income tax expense	167	273	161
Net operating profit	1,084	1,035	741
Profit from discontinued operations net of tax	104	51	58
Profit for the year	1,188	1,086	799
Total assets	163,276	148,392	129,834
Risk-weighted assets	71,697	74,239	60,474
Full-time equivalent staff	14,833	15,018	15,799
Number of branches and offices	441	442	436
Efficiency ratio (in %)	65.6%	65.3%	67.1%

On 22 January 2007, the Group announced the sale of the ABN AMRO Mortgage Group, Inc. (AAMG), our US-based residential mortgage broker originating platform and the residential mortgage servicing business, to Citigroup. The decision to exit the wholesale mortgage business is part of the Group's strategy to streamline its activities and to align them around its mid-market commercial and consumer clients. LaSalle Bank Corporation, AAMG's corporate parent, will continue to serve consumer clients with residential mortgages and home equity loans through its retail branch network. The closing of this transaction occured in the first quarter of 2007, and the results of the divested business are reported as discontinued operations net of tax and are therefore not part of the comparison made.

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year increased by EUR 102 million, or 9.4%, to EUR 1,188 million. Profit from continuing operations increased by EUR 49 million, or 4.7%, to EUR 1,084 million, mainly as a result of increases in operating income of EUR 225 million, EUR 158 million in operating expenses and EUR 124 million in loan impairment and other credit risk provisions. Discontinued operations net of tax increased by EUR 53 million. The US dollar depreciated 2.1% on average compared with the euro (comparing average rate in 2006 with the average rate in 2005).

Operating income

Operating income increased by EUR 225 million, or 6.4%, to EUR 3,746 million, mainly due to an improved contribution from all business lines despite challenges from the yield curve. The yield curve was inverted or flat for most of the year, which resulted in pressure on interest spreads. Furthermore, operating income increased due to the impact of the Talman settlement (EUR 110 million).

- Net interest income increased by EUR 137 million, or 6.2%, mainly due to continued commercial loan growth and higher deposit spreads.

- Results from financial transactions increased by EUR 76 million, or 96.2%, mainly due to higher volumes and gains from commercial conduit and multi-family group loan sales and improved cross-selling efforts. Cross-selling income increased primarily from cash management and syndication fees and from Global Market products, such as derivatives, foreign exchange and capital market products.

- Other operating income increased by EUR 89 million, or 39.7%, due to the inclusion of the impact of the Talman settlement. In December 2006, BU North America, through LaSalle Bank N.A., received a favourable judgement in its claim against the US-government related to the 1992 acquisition of the Talman Home Federal Savings and Loan Association. As a result, in December 2006, EUR 110 million was recognised in other operating income.

Operating expenses

Operating expenses increased by EUR 158 million, or 6.9%, to EUR 2,457 million mainly due to EUR 52 million restructuring charges related to a programme announced on 28 December 2006, EUR 12 million restructuring charges for the additional Services initiative and higher expenses related to investments in Group Service IT action tracks and increased compliance expenses.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 124 million, from a net release of EUR 86 million to a net charge of EUR 38 million, mainly as a result of lower recoveries and releases.

Income tax expense

The overall effective tax rate declined from 20.9% in 2005 to 13.4% in 2006 due to tax releases.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year increased by EUR 287 million, or 35.9%, to EUR 1,086 million. This is mainly the result of increased operating income of EUR 294 million, increased operating expenses of EUR 135 million and a decrease in loan impairment and other credit risk provisions of EUR 247 million. The US dollar appreciated by 0.8% on average compared with the euro (comparing average rate in 2005 with the average rate in 2004).

Operating income

Operating income increased by EUR 294 million, or 9.1%, to EUR 3,521 million, mainly driven by higher commercial banking revenues and lower hedging costs related to the available-for-sale portfolio.

• Net interest income decreased by EUR 121 million, or 5.2%, mainly due to the impact of the flattening yield curve and margin pressure in Global Markets and in commercial lending due to increased competition, partly offset by solid commercial loan growth and higher deposit spreads.

• Net fee and commission income increased by EUR 115 million, or 18.6%, mainly due to higher Global Markets client commissions. The number of personal and small business checking accounts increased by more than 27,000, which led to higher checking- and trustee-related fees.

• Net trading income increased by EUR 87 million, or 47.8%, mainly due to higher Global Markets trading results.

• Results from financial transactions increased by EUR 275 million to EUR 79 million, due to lower hedging costs and higher gains from investment securities. The hedging costs, related to the available-for-sale portfolio, were significantly lower due to lower volatility in interest rates in 2005.

• Other operating income in 2004 included the sale of the professional brokerage and domestic custody business (EUR 46 million).

Operating expenses

Operating expenses increased by EUR 135 million, or 6.2%, to EUR 2,299 million, mainly due to expenses with respect to higher start-up costs of Group projects related to compliance, human resources and information technology. The 2004 results included restructuring charges (EUR 89 million) for both former Wholesale Clients and Global Shared Service reorganisations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions decreased by EUR 247 million, or 153.4%, due to a net release of EUR 86 million. The decrease was due to lower gross provisioning levels as well as increased recoveries, reflecting the improving credit quality of the loan portfolio.

BU Latin America

The table sets forth selected information pertaining to BU Latin America for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	2,905	2,210	1,536
Net fee and commission income	484	379	344
Net trading income	209	57	(6)
Results from financial transactions	34	11	(4)
Share of result in equity accounted investments	55	37	9
Other operating income	51	369	152
Operating income	3,738	3,063	2,031
Operating expenses	2,219	1,848	1,386
Operating result	1,519	1,215	645
Loan impairment and other credit risk provisions	722	348	230
Operating profit before taxes	797	867	415
Income tax expense	149	265	174
Net operating profit	648	602	241
Profit for the year	648	602	241
Total assets	36,169	27,903	18,371
Risk-weighted assets	19,416	18,699	11,785
Full-time equivalent staff	28,180	26,479	27,489
Number of branches and offices	2,151	2,153	2,106

Efficiency ratio (in %)	59.4%	60.3%	68.2%

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year increased by EUR 46 million, or 7.6%, to EUR 648 million. This is mainly the result of an increase in operating income of EUR 675 million, an increase in operating expenses of EUR 371 million and an increase in loan impairment and other credit risk provisions of EUR 374 million. The Brazilian real appreciated by 8.3% on average compared with the euro (comparing average rate in 2006 with the average rate in 2005).

Operating income

Operating income increased by EUR 675 million, or 22.0%, to EUR 3,738 million, mainly due to the continued strong growth of the Brazil credit portfolio and a further improvement in non-interest income, partly offset by the inclusion in 2005 of the book profit on the sale of Real Seguros (EUR 229 million in other operating income). The contribution from Brazil to the operating income of the BU Latin America was unchanged at 95%.

At constant foreign exchange rates, the Brazilian retail banking business, which contributed 69.0% to the operating income from Brazil, grew by 19.7%, fuelled by a 31.8% increase in the retail loan portfolio at slightly lower net interest margins.

For the Aymoré consumer finance activities, which contributed 12.0% to the operating income from Brazil, operating income was up by 34.4% due to strong loan growth. Average balances grew by 32.1%. Commercial banking, which contributed 6.2% to the operating income from Brazil, increased its operating income by 18.8% on the back of loan growth, client-related trading income and net fee and commission income.

Operating expenses

Operating expenses increased by EUR 371 million, or 20.1%, to EUR 2,219 million, mainly due to a restructuring charge (EUR 12 million), higher investments related to Group Services IT outsourcing projects, the impact of the successive new collective labour agreements (collective labour agreements that came into effect in September 2005 and September 2006) and an increase in performance-related bonuses. The operating expense growth should also be seen in the context of an 8% increase in the number of customers in Brazil to 13.1 million at year-end 2006, as well as a further expansion of the network of sales outlets.

Loan impairment and other credit risk provisions

Loan impairments and other credit risk provisions increased by EUR 374 million, or 107.5%, to EUR 722 million, reflecting an increase in delinquencies in Brazil, mainly in the first half of the year 2006, as a result of the strong increase in credit availability in Brazil that started in 2005.

Income tax expense

The overall effective tax rate for the year 2006 declined by 11.9 percentage point to 18.7% as a result of tax credits related to the acquisition of Banca Intesa's minority holding in Banco ABN AMRO Real.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year increased by EUR 361 million, or 149.8%, to EUR 602 million. This is mainly due to an increase in operating income of EUR 1,032 million, an increase in operating expenses of EUR 462 million and an increase of loan impairment and other credit risk provisions of EUR 118 million. The Brazilian real appreciated by 22.6% on average compared with the euro (comparing average rate in 2005 with the average rate in 2004).

Operating income

Operating income increased by EUR 1,032 million, or 50.8%, to EUR 3,063 million.

- Net interest income increased by EUR 674 million, or 43.9%, mainly driven by robust organic growth in retail banking activities. The retail banking activities expanded by 16.0%, fuelled by a 31.4% increase in the retail loan portfolio. Lending to households, accounting for 53.8% of the retail loan portfolio, increased by 35.1%, driven by strong growth in personal loans and overdrafts. Lending to small and medium-sized enterprises grew by 27.3% on the back of increased account receivables financing and working capital needs. The average spread of the retail loan portfolio remained virtually unchanged.

- Net fee and commission income increased by EUR 35 million, or 10.2%. At constant foreign exchange rates, the net fee and commission income decreased, mainly due to payment services (retail banking) and higher commissions paid to car dealers resulting from higher volume in car loans.

- Net trading income increased by EUR 63 million to EUR 57 million, due to higher overall results from foreign exchange dealing and derivatives held for trading.

- Share of result in equity-accounted investments increased by EUR 28 million to EUR 37 million, mainly due to Visanet and Usiminas investments.

- Other operating income increased by EUR 217 million, due to the inclusion of the gain (EUR 229 million) on the sale of Real Seguros.

Operating expenses

Operating expenses increased by EUR 462 million, or 33.3%, to EUR 1,848 million driven by increases in personnel costs as a result of the new collective labour agreement, an increase in bonus accruals, new marketing and current account acquisition campaigns, the appreciation of the Brazilian real and expenses (EUR 37 million) in the last quarter of 2005 relating to the settlement of pension fund obligations regarding the one-time bonus element of the collective labour agreements of previous years, as well as information technology expenses.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions on loan losses increased by EUR 118 million, or 51.3%, to EUR 348 million, reflecting the strong growth in the retail portfolio.

Income tax expense

The overall effective tax rate for the year 2005 fell by 11.3 percentage points to 30.6%, mainly as a result of tax credits in the fourth quarter of 2005. The further appreciation of the Brazilian real against the US dollar in 2005 led to a hedge-related tax charge of EUR 39 million, compared with a hedge-related tax charge of EUR 24 million in 2004.

BU Asia

The table sets forth selected information pertaining to BU Asia for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	511	564	421
Net fee and commission income	593	421	383
Net trading income	310	131	120
Results from financial transactions	12	4	(3)
Share of result in equity accounted investments	62	73	127
Other operating income	31	44	22
Operating income	1,519	1,237	1,070
Operating expenses	1,089	914	710
Operating result	430	323	360
Loan impairment and other credit risk provisions	218	27	3
Operating profit before taxes	212	296	357
Income tax expense	101	90	83
Net operating profit	111	206	274
Profit from discontinued operations net of tax	-	-	240
Profit for the year	111	206	514
Total assets	60,187	57,280	46,943
Risk-weighted assets	12,375	11,902	9,394
Full-time equivalent staff	13,894	11,590	8,491
Number of branches and offices	114	144	140
Efficiency ratio (in %)	71.7%	73.9%	66.4%

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year decreased by EUR 95 million, or 46.1%, to EUR 111 million. This reflects an increase in operating income of EUR 282 million, an increase in operating expenses of EUR 175 million and an increase in loan impairment and other credit risk provisions of EUR 191 million.

Operating income

Operating income increased by EUR 282 million, or 22.8%, to EUR 1,519 million, mainly driven by strong client growth in consumer banking and higher operating income in the commercial segment.

Client growth in the consumer banking segment was mainly driven by the Van Gogh Preferred Banking business (a relationship banking approach to mass affluent clients serviced through a dedicated point of contact). The number of clients in Asia increased by 18% to 3.3 million and the number of credit cards in Asia increased by 19% to 2.8 million. The strongest-performing regions, from a consumer banking perspective, were India, China, Hong Kong and Taiwan, United Arab Emirates and Indonesia. India and China, Hong Kong and Taiwan are some of our key franchises in Asia and are a major focus for our growth efforts. The higher operating income in the commercial business segment was mainly driven by growth in Hong Kong, United Arab Emirates, Pakistan and China. Australia grew by 59%, driven by strong growth in its infrastructure capital business.

- Net fee and commission income increased by EUR 172 million, or 40.9%, mainly due to payment services following the growth in the credit card business and due to large infrastructure and capital deals in Australia.

- Net trading income increased by EUR 179 million to EUR 310 million, mainly resulting from higher equity finance income in Hong Kong and Taiwan.

- Share of result in equity accounted investments decreased by EUR 11 million, or 15.1%. The contribution from our participation (40%) in Saudi Hollandi Bank decreased by EUR 9 million, or 12.3%, as the improved operating result was more than offset by our share in EUR 21 million provisioning.

Operating expenses

Operating expenses increased by EUR 175 million, or 19.1%, to EUR 1,089 million, which was mainly a reflection of staff hirings (from 11,590 full-time equivalents in 2005 to 13,894 full-time equivalents in 2006), continued investments in the expansion of the branch network in support of our Van Gogh Preferred Banking growth ambitions and continued growth in the consumer and credit card business and EUR 10 million restructuring charges for Global Markets and Risk.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 191 million to EUR 218 million, mainly reflecting higher provisions for the credit card receivables in Taiwan.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year 2005 decreased by EUR 308 million, or 59.9%, to EUR 206 million. Profit from continuing operations decreased by EUR 68 million, or 24.8%, to EUR 206 million. This is mainly the result of an increase in operating income of EUR 167 million, an increase in operating expenses of EUR 204 million and an increase in loan impairment and other credit risk provisions of EUR 24 million. Discontinued operations net of tax related to the classification as discontinued operations net of tax of Bank of Asia, which was sold in 2004.

Operating income

Operating income increased by EUR 167 million, or 15.6%, to EUR 1,237 million, largely due to strong growth in consumer banking revenues driven by the growth of the credit card business and the Van Gogh Preferred Banking activities. The number of credit cards in Asia increased by 48% to 2.4 million and the number of customers in Asia increased by 36% to 2.8 million.

- Net interest income increased by EUR 143 million, or 34.0%, reflecting the increase in credit card lending, consumer finance and saving accounts.

- Net fee and commission income increased by EUR 38 million, or 9.9%, due to payment services following the growth in the credit card business, partly offset by the reclassification of credit card lending fees from net fee and commission income to net interest income in 2005.

- Share of result in equity accounted investments decreased by EUR 54 million, or 42.5%, mainly due to the inclusion in 2004 of the sale of shares in the Thai brokerage operation. The contribution from our participation (40%) in Saudi Hollandi Bank increased.

Operating expenses

Operating expenses increased by EUR 204 million, or 28.7%, to EUR 914 million, mainly due to higher expenses from Global Markets activities and continued investments in the various businesses in Asia, including the launch of new products, opening of new branches and intensive marketing campaigns. In 2005, 14 branches were opened, bringing the total in Asia to 67, of which 23 are located in India. The 2004 results included a restructuring charge

(EUR 27 million) for both former Wholesale Clients and Group Shared Services reorganisations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 24 million to EUR 27 million, reflecting the growth of the loan portfolio and higher credit card outstandings.

BU Global Clients

The table below sets forth selected information pertaining to BU Global Clients for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December								
	IFRS			Consolidation effect (1)			Excluding consolidation effect (non-GAAP measure) (2)		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)								
Net interest income	555	646	568	-	(72)	-	555	718	568
Net fee and commission income	1,246	831	860	-	-	-	1,246	831	860
Net trading income	563	711	519	-	-	-	563	711	519
Results from financial transactions	41	121	133	-	46	-	41	75	133
Other operating income	3	13	8	-	-	-	3	13	8
Income of consolidated private equity holdings	-	128	-	-	128	-	-	-	-
Operating income	2,408	2,450	2,088	-	102	-	2,408	2,348	2,088
Operating expenses	2,144	1,869	1,782	-	104	-	2,144	1,765	1,782
Operating result	264	581	306	-	(2)	-	264	583	306
Loan impairment and other credit risk provisions	(27)	(50)	49	-	-	-	(27)	(50)	49
Operating profit before taxes	291	631	257	-	(2)	-	291	633	257
Income tax expense	(13)	78	68	-	(2)	-	(13)	80	68
Net operating profit	304	553	189	-	-	-	304	553	189
Profit for the year	304	553	189	-	-	-	304	553	189
Total assets	69,443	54,585	32,137	-	-	-	69,443	54,585	32,137
Risk-weighted assets	25,230	26,171	22,429	-	-	-	25,230	26,171	22,429
Full-time equivalent staff	1,214	1,153	1,778	-	-	-	1,214	1,153	1,778
Number of branches and offices	70	69	65	-	-	-	70	69	65
Efficiency ratio (in %)	89.0%	76.3%	85.3%	-	102.0%	-	89.0%	75.2%	85.3%

(1) This is the impact per line item of the private equity investments which are required to be consolidated under IFRS. See the accounting policies section of our financial statements.

(2) See "-A. Operating results - Consolidation effect of controlled private equity investments" for an explanation of our use of non-GAAP financial measures.

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year decreased by EUR 249 million, or 45.0%, to EUR 304 million. This is mainly the result of a decrease in operating income of EUR 42 million, an increase in operating expenses of EUR 275 million and a decrease in loan impairment and other credit risk provisions of EUR 23 million.

Operating income

Operating income decreased by EUR 42 million, or 1.7%, to EUR 2,408 million. Excluding the consolidation effect (non-GAAP measure) operating income rose by EUR 60 million, or 2.5%.

- Net fee and commission income increased by EUR 415 million, or 49.9%, and net trading income decreased by EUR 148 million, or 20.8%. The product take-up of clients served in 2005 was approximately one-third mergers and acquisitions, fixed income capital markets, equity capital markets, structured lending and merchant banking; one-third equity and financial markets (rates, foreign exchange, credits and alternative local products) and one-third loan products and transaction banking. Further focus on fee-driven products led to a change in the product mix in 2006 with strong growth in primary and secondary capital markets products.

- The 2006 results include the fair market adjustments of the indirect stake in Korean Exchange Bank (positive EUR 69 million in 2005 and negative EUR 13 million in 2006).

- Results from financial transactions decreased by EUR 80 million, or 66.1%. As of the second half of 2005 the BU Global Clients implemented an ongoing programme of credit portfolio hedging, securitisations and loan sales, in line with the Group's strategy to manage the balance sheet more actively. Costs associated with managing the portfolio are booked as a net charge to results from financial transactions.

Operating expenses

Operating expenses increased by EUR 275 million, or 14.7%, to EUR 2,144 million (non-GAAP measure EUR 379 million), due to a shift in the product mix, which led to an increase in allocated infrastructure and product costs, and in 2006 includes a restructuring charge (EUR 19 million) for Group Shared Services reorganisations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions decreased by EUR 23 million to a net release of EUR 27 million, which was mainly caused by a release in the incurred-but-not-identified provision.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year increased by EUR 364 million, or 192.6%, to EUR 553 million. This is mainly the result of an increase in operating income of EUR 362 million, an increase in operating expenses of EUR 87 million and a decrease in loan impairment and other credit risk provisions of EUR 99 million.

Operating income

Operating income increased by EUR 362 million, or 17.3%, to EUR 2,450 million, mainly due to the operating income of our private equity holding (Priory) and due to enhanced activity of our clients and a greater share of their wallet.

Operating expenses

Operating expenses increased by EUR 87 million, or 4.9%, to EUR 1,869 million, mainly due to the consolidation of operating expenses of our private equity holding (Priory). The 2004 results included a restructuring charge (EUR 49 million) for both the former Wholesale Clients and Global Shared Service reorganisation.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions decreased by EUR 99 million to a net release of EUR 50 million, mainly due to releases.

BU Private Clients

The table sets forth selected information pertaining to BU Private Clients for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	544	529	459
Net fee and commission income	700	612	560
Net trading income	64	44	53
Results from financial transactions	4	11	1
Share of result in equity accounted investments	2	1	14
Other operating income	75	100	59
Operating income	1,389	1,297	1,146
Operating expenses	956	915	869
Operating result	433	382	277
Loan impairment and other credit risk provisions	40	16	7
Operating profit before taxes	393	366	270
Income tax expense	121	87	78
Net operating profit	272	279	192
Profit for the year	272	279	192
Total assets	20,510	19,111	16,416
Risk-weighted assets	9,672	9,437	7,498
Assets under Administration (in billions of EUR)	142.0	131.0	115.0
Full-time equivalent staff	3,365	4,093	4,024
Number of branches and offices	96	85	83
Efficiency ratio (in %)	68.8%	70.5%	75.8%

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year decreased by EUR 7 million, or 2.5%, to EUR 272 million. This reflects an increase in operating income of EUR 92 million, an increase in operating expenses of EUR 41 million, an increase in loan impairment and credit risk provisions of EUR 24 million and an increase in income tax expense of EUR 34 million.

Operating income

Operating income increased by EUR 92 million, or 7.1%, to EUR 1,389 million driven by increases across all regions (especially the Netherlands, France and Germany) and the successful integration of Bank Corluy into Private Clients Belgium.

- Net interest income grew by EUR 15 million, or 2.8%, on the back of higher volumes in client deposits.

- The increase in non-interest income was driven by net fee and commission income, which grew by EUR 88 million, or 14.4%, reflecting the client appetite for equity products and Private Investor Products. Assets under Administration increased by EUR 11.0 billion to EUR 142.0 billion, reflecting an increase in net new assets and higher net asset values due to improved financial markets. The asset mix remained relatively stable with 69% in securities and 31% in cash.

- Other operating income in 2005 included the gain on the sale of Nachenius, Tjeenk & Co in 2005 (EUR 38 million).

Operating expenses

Operating expenses increased by EUR 41 million, or 4.5%, to EUR 956 million as a consequence of the merger of Banque Neuflize and Banque OBC in France, higher value-added tax in France following a change in legislation, higher expenses in Asia and Latin America to fund future growth and higher compliance costs. The 2005 results included restructuring charges (EUR 45 million versus EUR -27 million release in 2006) related to the merger of Banque Neuflize and OBC in France.

Loan impairment and credit risk provisions

Loan impairment and credit risk provisions increased by EUR 24 million to EUR 40 million, mainly due to a higher provision in the International Diamonds & Jewelry Group.

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year 2005 increased by EUR 87 million, or 45.3%, to EUR 279 million. This is mainly the result of increased operating income of EUR 151 million and increased operating expenses of EUR 46 million.

Operating income

Operating income increased by EUR 151 million, or 13.2%, to EUR 1,297 million, mainly due to a strong performance in the Netherlands and Germany and the contribution of Bank Corluy (Private Clients Belgium).

- Net interest income increased by EUR 70 million, or 15.3%, due to higher client balances on savings accounts and deposits, and spreads in the Netherlands, Germany and the European growth markets.

- Net fee and commission income increased by EUR 52 million, or 9.3%, mainly due to higher Assets under Administration, as well as improved equity markets and a substantial number of new product launches.

- Share of result in equity accounted investments decreased by EUR 13 million. The results in 2004 included a book profit on the sale of fund management services in France.

- Other operating income increased by EUR 41 million, due to the gain on the sale of Nachenius, Tjeenk & Co (EUR 38 million).

Operating expenses

Operating expenses increased by EUR 46 million, or 5.3%, to EUR 915 million, partly due to higher costs related to the expansion of the business in the Netherlands. Expenses in Germany showed a decline, reflecting the cost synergies from the completed integration of Delbrück Bethmann Maffei.

The results in 2005 included restructuring charges (EUR 45 million) related to the merger of Banque Neuflize and OBC in France and the results in 2004 included Group Shared Services restructuring charges (EUR 56 million).

Income tax expense

The overall effective tax rate for the year 2005 fell by 5.1% points to 23.8%, mainly due to tax exempt book profit on the sale of Nachenius, Tjeenk & Co and lower tax expense resulting from the statutory reduction of Swiss corporate income tax.

BU Asset Management

The table sets forth selected information pertaining to BU Asset Management for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	(15)	6	5
Net fee and commission income	717	596	535
Net trading income	(4)	14	9
Results from financial transactions	40	55	10
Share of result in equity accounted investments	1	18	2
Other operating income	89	23	34
Operating income	828	712	595
Operating expenses	528	501	444
Operating profit before taxes	300	211	151
Income tax expense	65	40	46
Net operating profit	235	171	105
Profit for the year	235	171	105
Total assets	1,402	1,199	954
Risk-weighted assets	870	823	1,182
Assets under Management (in billions of EUR)	193.3	176.2	160.7
Full-time equivalent staff	1,563	1,655	1,919
Number of branches and offices	22	33	31
Efficiency ratio (in %)	63.8%	70.4%	74.6%

In February 2006, BU Asset Management acquired International Asset Management Limited (IAM). IAM is a fund of hedge funds that manages approximately USD 2.6 billion of Assets under Management.

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year increased by EUR 64 million, or 37.4%, to EUR 235 million. This was mainly the result of an increase in operating income of EUR 116 million, partly offset by an increase in operating expenses of EUR 27 million.

Operating income

Operating income increased by EUR 116 million, or 16.3%, to EUR 828 million.

- Net fee and commission income increased by EUR 121 million, or 20.3%, reflecting the higher Assets under Management levels, the higher fee levels on existing products and a further shift in the asset mix towards more profitable products.

- Share of result in equity accounted investments decreased by EUR 17 million to EUR 1 million due to the sale of the trust business in 2005.

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Results from financial transactions decreased by EUR 15 million, or 27.3%, due to a decline in revenues from seed capital positions.

- Other operating income increased by EUR 66 million to EUR 89 million as a result of divestments. The 2006 results included the gain on the sale of the Asset Management operations in Curacao (EUR 28 million), the gain on the sale of the domestic asset management operations in Taiwan (EUR 38 million) and the gain on the sale of the US mutual fund business (EUR 17 million). The 2005 results included the sale of operations in Kazakhstan (EUR 13 million).

Operating expenses

Operating expenses increased by EUR 27 million, or 5.4%, to EUR 528 million. Lower operating expenses due to the sale of the trust business were more than offset by higher bonus accruals and the inclusion of IAM.

Income tax expense

The overall effective tax rate for the year increased from 19.0% in 2005 to 21.7% in 2006, mainly due to lower levels of tax-exempted seed capital gains. The income tax expense was also influenced in 2006 by the tax-exempted gain on the sale of the asset management operations in Curacao (EUR 28 million), the tax-exempted gain on the sale of the domestic asset management operations in Taiwan (EUR 38 million) and the tax-exempted gain on the sale on the sale of the United States mutual fund business (EUR 17 million). The income tax expense in 2005 was influenced by the inclusion of the tax-exempted gain on the sale of the trust business (EUR 17 million).

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year increased by EUR 66 million, or 62.9%, to EUR 171 million. This is mainly the result of an increase in operating income of EUR 117 million and an increase in operating expenses of EUR 57 million.

Operating income

Operating income increased by EUR 117 million, or 19.7%, to EUR 712 million.

• Net fee and commission income increased by EUR 61 million, or 11.4%, despite the loss in net fee and commission income from the sale of the trust business. The increase reflected the improved asset mix towards more profitable products, higher fee levels on existing products, the rise in Assets under Management levels due to a better capital markets environment and improved performance of our mandates.

• Results from financial transactions increased by EUR 45 million to EUR 55 million, due to the positive returns on seed capital and the book profit on small divestments.

• Share of result in equity accounted investments increased by EUR 16 million to EUR 18 million, due to the sale of the trust business.

• Other operating income decreased by EUR 11 million, or 32.4%, as a result of divestments driven by the strict focus on core activities. The 2005 results included the sale of operations in Kazakhstan (EUR 13 million). The 2004 results included the gain on the sale of the 401 K business in the United States (EUR 16 million) and the book profit on the sale of the Czech pension fund in the first quarter of the year (EUR 12 million).

Operating expenses

Operating expenses increased by EUR 57 million, or 12.8%, to EUR 501 million, mainly driven by higher performance-related remuneration, professional fees related to divestment processes, an increase in commercial activities and an impairment charge taken for software and commercial contracts.

Income tax expense

The overall effective tax rate for the year decreased from 30.5% in 2004 to 19.0% in 2005, due to the impact of non-taxable events including the impact of the sale of the trust business (EUR 17 million), small divestments and proceeds from seed capital. The income tax expense in 2004 also included the impact of the tax exempted gain on the sale of the Czech Pension Fund (EUR 12 million).

Private Equity

The table below sets forth selected information pertaining to Private Equity for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December								
	IFRS			Consolidation effect (1)			Excluding consolidation effect (non-GAAP measure)(2)		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)								
Net interest income	(299)	(200)	(113)	(342)	(208)	(83)	43	8	(30)
Net fee and commission income	12	17	8	-	-	-	12	17	8
Net trading income	13	(13)	3	(3)	2	(1)	16	(15)	4
Results from financial transactions	422	353	579	15	(11)	(27)	407	364	606
Other operating income	2	1	(25)	-	(6)	-	2	7	(25)
Income of consolidated private equity holdings	5,313	3,509	2,616	5,313	3,509	2,616	-	-	-
Operating income	5,463	3,667	3,068	4,983	3,286	2,505	480	381	563
Operating expenses	5,031	3,391	2,614	4,939	3,262	2,499	92	129	115
Operating result	432	276	454	44	24	6	388	252	448
Loan impairment and other credit risk provisions	26	34	16	-	-	-	26	34	16
Operating profit before taxes	406	242	438	44	24	6	362	218	432
Income tax expense	(3)	(21)	33	44	24	6	(47)	(45)	27
Net operating profit	409	263	405	-	-	-	409	263	405
Profit for the year	409	263	405	-	-	-	409	263	405
Total assets	7,706	7,293	4,135	4,537	3,477	2,393	3,169	3,816	1,743
Risk-weighted assets	2,379	2,678	1,988	-	-	-	2,379	2,678	1,988
Full-time equivalent staff	30,974	27,884	18,053	30,881	27,775	17,938	93	109	115
Number of branches and offices	7	9	9	-	-	-	7	9	9
Efficiency ratio (in %)	92.1%	92.5%	85.2%	99.1%	99.3%	99.8%	19.2%	33.9%	20.4%

(1) This is the impact per line item of the private equity investments which are required to be consolidated under IFRS. See the accounting policies section of our consolidated financial statements.

(2) See "-A. Operating results - Consolidation effect of controlled private equity investments" for an explanation of our use of non-GAAP financial measures.

Results of operations for the years ended 31 December 2006 and 2005

Private Equity made a total of EUR 483 million in new investments in 2006. A total of EUR 1,044 million in proceeds was realised from divestments. As a result of investments, divestments, unrealised fair market value changes including foreign exchange fluctuations of EUR 412 million, the value of the total portfolio under management by Private Equity decreased from EUR 2,458 million in 2005 to EUR 2,309 million in 2006.

Major new buy-out investments in 2006 were U-pol (United Kingdom, automotive manufacturing), OFIC (France, isolation materials), Lucas Bols (Netherlands, branded liqueurs and spirits), Nextira One (France, integrated enterprise network solutions), Volution (United Kingdom, constructions), Douglas Hanson (United States, manufacturing, add-on to Loparex, Sweden), Amitco (United Kingdom, manufacturing) and Saunatec (Finland, manufacturing).

Major divestments were Holland Railconsult (Netherlands, railway engineering), Kreatel communications (Sweden, telecommunications), Sogetrel (France, telecommunications), Radio Holland Group (Netherlands, maritime navigation and communication systems) and RTD (Netherlands, industrial non-destructive testing services), Jessops (United Kingdom, retail) and Dennis Eagle (United Kingdom, industrial).

The fair value of the unquoted buy-out portfolio at year-end 2006 amounted to EUR 1,729 million. The fair market value of the unquoted corporate investment portfolio amounted to EUR 533 million. The fair market value of the quoted portfolio was EUR 47 million.

In 2006, Private Equity completed 19 acquisitions and 58 add-ons for a total of EUR 483 million and 39 divestments for a total of EUR 1,044 million.

Profit for the year increased by EUR 146 million, or 55.5%, to EUR 409 million. This was mainly the result of an increase in operating income of EUR 1,796 million and an increase in operating expenses of EUR 1,640 million.

Operating income

Operating income increased by EUR 1,796 million, or 49.0%, to EUR 5,463 million, mainly due to higher income from consolidated private equity investments, higher unrealised fair market value returns from unconsolidated investments partially offset by increased interest expenses.

Net interest income decreased by EUR 99 million to a minus of EUR 299 million, due to higher interest expenses from consolidated private equity investments.

Operating expenses

Operating expenses increased by EUR 1,640 million, or 48.4%, to EUR 5,031 million, mainly due to higher expenses from consolidated private equity investments, lower overhead charges and lower goodwill impairments.

Results of operations for the years ended 31 December 2005 and 2004

The fair market value of the private equity portfolio increased from EUR 1,993 million in 2004 to EUR 2,458 million in 2005. This was the result of EUR 812 million in new investments, EUR 497 million of investments sold, EUR 188 million (including foreign exchange fluctuations) of unrealised fair market value changes on the existing portfolio and EUR 38 million of reclassifications (including foreign exchange fluctuations). Unrealised changes in the fair market value of the consolidated portfolio are only recognised as operating income at the time when a consolidated investment is sold.

Major new buy-out investments in 2005 were FlexLink (Sweden, engineering), Strix (UK, engineering), Fortex (Netherlands, support services), Loparex (Finland, industrial products), Everod (Australia, medical services), Bel'm (France, consumer products), IMCD (Netherlands, chemicals), Nueva Terrain (Spain, construction), Roompot (Netherlands, leisure), Scotts and McColls (Australia, transportation), Bonna Sabla (France, industrial products & services) and Bianchi Vending (Italy, business products & supplies). Major divestments were Handicare (Norway, medical equipment), MobiTel (Bulgaria, communications), AUSDOC (Australia, support services) and Puzzler Media (UK, media).

The fair market value of the unquoted buy-out portfolio at year-end 2005 amounted to EUR 1,711 million. The fair market value of the unquoted corporate investment portfolio amounted to EUR 579 million. The fair market value of the quoted portfolio was EUR 168 million.

Profit for the year decreased by EUR 142 million, or 35.1%, to EUR 263 million. This was mainly the result of an increase in operating income of EUR 599 million, an increase in operating expenses of EUR 777 million and an increase in loan impairment and other credit risk provisions of EUR 18 million.

Operating income

Operating income increased by EUR 599 million, or 19.5%, to EUR 3,667 million, mainly due to higher operating income from consolidated private equity investments.

• Net interest income decreased by EUR 87 million to a minus of EUR 200 million, mainly due to higher interest expenses from consolidated private equity investments.

• Results from financial transactions decreased by EUR 226 million, or 39.0%, mainly due to a lower level of exits of consolidated investments. Results from financial transactions related to consolidated investments are recorded only at the time of the sale, in contrast to unconsolidated investments, whose unrealised fair value results are recorded directly in income.

Operating expenses

Operating expenses increased by EUR 777 million, or 29.7%, to EUR 3,391 million, mainly due to higher operating expenses from consolidated private equity investments and due to higher incentive compensation payments and expenses related to a higher volume of investments, which were higher in 2005 versus 2004.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 18 million to EUR 34 million, due to a provision taken in the United Kingdom portfolio.

Income tax expense

Income tax expense decreased by EUR 54 million to minus EUR 21 million, mainly due to a tax release of EUR 45 million.

Group Functions

The table sets forth selected information pertaining to Group Functions, for the years ended 31 December 2006, 2005 and 2004.

	For the year ended 31 December		
	2006	2005	2004
	(in millions of EUR, except staff, branches and offices and percentages)		
Net interest income	(368)	(261)	15
Net fee and commission income	79	90	96
Net trading income	77	59	37
Results from financial transactions	182	620	484
Share of result in equity accounted investments	67	114	20
Other operating income	461	26	9
Operating income	498	648	661
Operating expenses	428	74	393
Operating result	70	574	268
Loan impairment and other credit risk provisions	82	96	24
Operating profit / (loss) before taxes	(12)	478	244
Income tax expense / (credit)	(233)	(33)	44
Net operating profit	221	511	200
Profit from discontinued operations net of tax	-	-	1,207
Profit for the year	221	511	1,407
Total assets	68,183	83,351	68,003
Risk-weighted assets	(2,096)	7,053	3,871
Full-time equivalent staff	4,438	3,835	4,052
Efficiency ratio (in %)	85.9%	11.4%	59.5%

Group Functions includes the operating results of Group Services.

With the results for the third quarter of 2006, we announced measures to improve the cost efficiency and productivity in Group Functions. The improvement in operational efficiency will be achieved by focusing on efficiency and productivity that will affect more than 500 full-time equivalents predominantly at head office. In the fourth quarter of 2006 Group Functions took a restructuring charge of EUR 29 million.

Results of operations for the years ended 31 December 2006 and 2005

Profit for the year decreased by EUR 290 million, or 56.8%, to EUR 221 million. This was the result of a decrease in operating income of EUR 150 million, an increase in operating expenses of EUR 354 million and an increase in tax benefit of EUR 200 million.

Operating income

Operating income decreased by EUR 150 million, or 23.1%, to EUR 498 million, mainly due to lower asset and liability management results and a lower contribution from our share of result in equity accounted investments, partly offset by the gain on the sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million), the gain on the sale of the Global Futures business (EUR 229 million) and a provision for balance-sheet adjustments in 2005 (minus EUR 86 million in 2005).

The lower asset and liability management income was due to higher funding costs as a result of higher euro and US dollar interest rates, lower returns on the investment portfolio as a result of the flattening yield curve, and marked-to-market losses on capital and risk hedging (credit default swap portfolio) as a result of credit spreads tightening. The loss on capital and risk hedging (credit default swap portfolio) of EUR 261 million in 2006 will be recovered over time as the underlying asset matures.

- Net interest income includes the funding costs from preferred shares.

- Results from financial transactions decreased by EUR 438 million to EUR 182 million, mainly due to lower results on bonds and credit default swaps.

- Share of result in equity accounted investments decreased by EUR 47 million, or 41.2%, due to the absence of the contribution of our stake in Antonveneta, which was consolidated in 2006, and Kereskedelmi és Hitelbank Rt., which was sold in 2006, partly offset by a higher contribution from our stake in Capitalia.

- Other operating income increased by EUR 435 million to EUR 461 million due to the inclusion of the gain on the sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million) and the gain on the sale of the Futures business (EUR 229 million).

Operating expenses

Operating expenses increased by EUR 354 million to EUR 428 million. The results in 2006 included a EUR 29 million restructuring charge related to the reorganisation as announced on 30 October 2006 mainly for Risk Management and IT, higher costs for compliance with the Sarbanes-Oxley Act, Basel II and other regulations. The results in 2005 included a release of the post-retirement healthcare benefit provision (EUR 392 million), a provision for compensating holidays not taken by staff (EUR 56 million) and the costs of the United States regulatory fine (EUR 67 million).

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions decreased by EUR 14 million to EUR 82 million. The 2006 results included the Futures provisions (EUR 72 million) and the 2005 results included mainly provisions related to incurred-but-not-identified loan losses, which as of 2006 are allocated to the BUs.

Income tax expense

Income tax expense declined by EUR 200 million to minus EUR 233 million, mainly due to a large tax credit in the Netherlands and some other countries, the impact on deferred taxes of the change in the tax rate of the Netherlands and the impact of the tax exempted gain on the sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million). The results in 2005 included a tax release of EUR 100 million and the impact of a tax exempted United States regulatory fine (EUR 67 million).

Results of operations for the years ended 31 December 2005 and 2004

Profit for the year decreased by EUR 896 million, or 63.7%, to EUR 511 million. Discontinued operations net of tax in 2004 are related to the classification as discontinued operations net of tax of LeasePlan, which was sold in 2004. Profit from continuing operations increased by EUR 311 million, or 155.5%, to EUR 511 million. This was mainly the result of a decrease in operating income of EUR 13 million, a decrease in operating expenses of EUR 319 million, an increase in loan impairment and other credit risk provision of EUR 72 million and declined income tax expense of EUR 77 million.

Operating income

Operating income decreased by EUR 13 million, or 2.0%, to EUR 648 million, mainly due to lower US dollar profit hedge results and a provision for balance-sheet adjustments (minus EUR 86 million), offsetting higher results from share of result in equity accounted investments.

- Net interest income decreased by EUR 276 million to minus EUR 261 million, mainly due to lower US dollar hedging results and lower asset and liability management results.

- Net fee and commission income decreased by EUR 6 million, or 6.3%, mainly due to the inclusion of a EUR 30 million fee paid to BU Global Markets related to the equity issue of ABN AMRO shares.

- Results from financial transactions increased by EUR 136 million, or 28.1%, mainly due to the revaluation of Antonveneta options, the sale of bonds, derivative results and partly offset by the gain on the sale of our stake in Bank Austria in 2004.

- Share of result in equity accounted investments increased by EUR 94 million to EUR 114 million, due to better results from our stakes in Capitalia and Antonveneta and in Hungary's Kereskedelmi és Hitelbank Rt.

Operating expenses

Operating expenses decreased by EUR 319 million to EUR 74 million. The results in 2005 included a release of the post-retirement healthcare benefit provision (EUR 392 million), a provision for compensating holidays not taken by staff (EUR 56 million), the costs of the United States regulatory fine (EUR 67 million) and increased costs related to compliance with the Sarbanes-Oxley Act, Basel II and other regulations. The results in 2004 included a EUR 177 million charge for the buy-out or compensation paid to staff for the termination of the profit-sharing agreements, as provided by the new collective labour agreement.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 72 million to EUR 96 million, mainly due to provisions related to the incurred-but-not-identified loan losses.

Income tax expense

Income tax expense declined by EUR 77 million to a favourable tax benefit of EUR 33 million, mainly due to releases of tax provisions. The results in 2005 included the impact of a tax exempted United States regulatory fine (EUR 67 million).

Reconciliation of net profit under IFRS and US GAAP

We refer to Note 50 of our consolidated financial statements for our reconciliation of net profit under IFRS and US GAAP.

B. Liquidity and capital resources

The following table shows our capital at 31 December 2006, 2005 and 2004 according to IFRS.

Group capital	IFRS at 31 December 2006	2005	2004
	(in millions of EUR)		
Share capital	1,085	1,069	954
Share premium	5,245	5,269	2,604
Treasury shares	(1,829)	(600)	(632)
Retained earnings	18,599	15,237	11,580
Net gains (losses) not recognised in the income statement	497	1,246	309
Equity attributable to shareholders of the parent company	23,597	22,221	14,815
Equity attributable to minority interests	2,298	1,931	1,737
Total equity	25,895	24,152	16,552
Subordinated liabilities	19,213	19,072	16,687
Group capital	45,108	43,224	33,239

Group capital at year-end 2006 was EUR 45,108 million, an increase of EUR 1,884 million, or 4.4%, compared with 2005. The EUR 1,376 million, or 6.2%, increase in equity attributable to shareholders of the parent company equity was mainly due to retained earnings, partly offset by movements in special components of equity relating to cash flow hedges and available-for-sale securities, currency translation differences and purchase of treasury shares.

Group capital at year-end 2005 was EUR 43,224 million, an increase of EUR 9,985 million, or 30.0%, compared with 2004. The EUR 7,406 million, or 50.0%, increase in equity attributable to shareholders of the parent company was mainly due to retained earnings, private placements, exchange rate differences, share-based payments and exercise of staff options, partly offset by movements in special components of equity relating to cash flow hedges and available-for-sale securities.

The full-year addition to reserves resulting from profit attributable to the shareholders of the parent company less dividends paid equals EUR 3,252 million (2005: EUR 3,723 million). Private placements in 2005 included the issue on 5 April 2005 of 135 million ordinary shares at EUR 18.65 and the issue of 10.3 million ordinary shares at EUR 19.66 on 20 June 2005. Costs relating to these private placements of EUR 27 million were deducted from equity.

In 2006, the movements in net gains/(losses) not recognised in the income statement include the net movement in the reserve for available-for-sale assets consisting of net unrealised losses in available-for-sale assets of EUR 233 million and net realised gains reclassified to the income statement of EUR 602 million. The net movement in the cash flow hedge reserve consisting of the net unrealised gains on cash flow hedges of EUR 735 million and the realised gains reclassified to the income statement of EUR 215 million and exchange rate differences, amounting to a loss of EUR 434 million, of which EUR 59 million relates to the US dollar and EUR 101 million relates to the Brazilian real. Share-based payments resulted in a credit to equity of EUR 111 million (including deferred tax), and exercise of staff options resulting in a credit to equity of EUR 143 million.

In 2005, the movements in net gains/(losses) not recognised in the income statement include the net movement in the reserve for available-for-sale assets consisting of net unrealised gains in available-for-sale assets of EUR 717 million, partly offset by the net realised gains reclassified to the income statement of EUR 348 million and the net movement in the cash flow hedge reserve consisting of the net unrealised losses on cash flow hedges of EUR 386 million and the realised gains reclassified to the income statement of EUR 126 million and exchange rate differences, amounting to a gain of EUR 1,080 million, of which EUR 92 million relates to the US dollar and EUR 659 million relates to the Brazilian real. Share-based payments resulted in a credit to equity of EUR 87 million (including deferred tax), and exercise of staff options resulted in a credit to equity of EUR 34 million.

The number of ordinary shares outstanding, minus treasury shares, at the end of 2006 decreased by 24.1 million to 1,853.8 million. This decrease was the result of a 32.8 million ordinary shares final stock dividend 2005 issued at an average price of EUR 21.30, 30.5 million ordinary shares 2006 interim dividend at an average price of EUR 23.40, 8.5 million shares due to exercise of staff options during 2006 and share buy-backs of 95.9 million ordinary shares.

The number of ordinary shares outstanding at the end of 2005 rose by 208.7 million to 1,877.9 million. This increase was the result of the private placement on 5 April 2005 of 135 million ordinary shares at EUR 18.65 and the issue of 10.3 million ordinary shares at EUR 19.66 on 20 June 2005, 32.3 million ordinary shares final stock dividend 2004 issued at an average price of EUR 18.50, 29.2 ordinary shares 2005 interim dividend at an average price of EUR 19.50 and 1.9 million shares due to exercise of staff options during 2005.

The EUR 367 million increase of minority interests in 2006 is explained by the currency translation loss of EUR 46 million, of which EUR 37 million relates to tier-1 capital ratio and a net addition of EUR 413 million.

The EUR 194 million increase of minority interests in 2005 is explained by the currency translation gain of EUR 133 million, of which EUR 68 million related to tier-1 capital ratio and a net addition of EUR 61 million.

The bank is able to raise funds by issuing subordinated liabilities. In 2006, subordinated liabilities increased by EUR 141 million (2005: EUR 2,385 million) to EUR 19,213 million (2005: EUR 19,072 million).

Issuances in 2006 amount to EUR 4,044 million and include GBP 750 million perpetual subordinated upper tier-2 notes issued on 17 February 2006 paying 5% fixed with a step-up from 17 February 2016, EUR 1.0 billion perpetual preference notes issued on 10 March 2006 and EUR 1.0 billion lower tier-2 Floating Rate Notes (three months Euribor) with a step-up on 14 September 2011 issued on 31 August 2006. Redemptions were EUR 4,430 million and include EUR 2.0 billion 6.5% perpetual subordinated upper tier-2 issued in 2001. The effect of foreign exchange rates decreased total subordinated liabilities by EUR 980 million. The cost and availability of subordinated liabilities finance are influenced by credit ratings. A reduction in these ratings could increase the cost and could reduce market access.

Issuances in 2005 amount to EUR 2,843 million and include EUR 1.5 billion Floating Rate Notes due 2015 issued in June 2005 and USD 1.5 billion Floating Rate Notes (LIBOR +0.20%) due 2015 and callable 2010. Redemptions were EUR 1,682 million and include USD 1.0 billion 7.25% notes 1995-2005 in May 2005 and the call of EUR 500 million Floating Rate Notes 2000-2010. The effect of foreign exchange rates increased total subordinated liabilities by EUR 1,199 million. The cost and availability of subordinated liabilities finance are influenced by credit ratings. A reduction in these ratings could increase the cost and could reduce market access.

At 31 December the credit ratings of ABN AMRO were as follows:

	2006		**2005**	
	Long term	**Short term**	**Long term**	**Short term**
Standard & Poor’s	AA-	A-1+	AA-	A-1+
Moody’s	Aa3	P-1	Aa3	P-1
Fitch	AA-	F1+	AA-	F1+
DBRS	AA	R-1	-	-

We apply capital adequacy ratios based on the Bank for International Settlements’ guidelines and Dutch Central Bank directives. These ratios compare our 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 our trading activities. We are continuously improving the relationship between our tier-1 capital and our risk-weighted assets in order to ensure we maintain our AA- credit rating. The minimum tier-1 ratio required is 4% and the minimum total capital ratio is 8%.

ABN AMRO comfortably meets these standards with a tier-1 ratio of 8.45% (2005: 10.62%), of which the core tier-1 ratio is 6.18% (2005: 8.47%), and a Bank for International Settlements total capital ratio of 11.14% (2005:13.14%) as at 31 December 2006.

The total capital base decreased by 7.7% (2005: increased by 32.2%) to EUR 31.3 billion (2005: EUR 33.9 billion) at 31 December 2006. Risk-weighted assets amounted to EUR 280.7 billion (2005: EUR 257.9

billion) at year-end 2006, an increase of EUR 22.9 billion (2005: EUR 26.2 billion), or 8.9%, (2005: 11.3%) from the end of the previous year. Securitisation programmes in 2006 increased by EUR 23.6 billion (2005: EUR 39.9 billion) to a total of EUR 89.1 billion (2005: EUR 65.5 billion).

The following table analyses our capital ratios at 31 December 2006, 2005 and 2004 in accordance with supervisory requirements under IFRS.

Capital ratios	**IFRS at 31 December**		
	2006	**2005**	**2004**
	(in millions of EUR, except percentages)		
Tier 1 capital	23,720	27,382	19,592
Tier 2 capital	9,372	9,851	7,433
Tier 3 capital	272	272	272
Supervisory deductions	(2,089)	(3,631)	(1,679)
Total capital	31,275	33,874	25,618
Risk-weighted assets on balance	209,134	192,735	174,256
Off-balance	67,489	59,107	52,493
Market risk requirements	4,081	6,012	4,873
Total Risk-weighted assets	280,704	257,854	231,622
Tier 1 capital ratio	8.45%	10.62%	8.46%
Total capital ratio	11.14%	13.14%	11.06%

Liquidity and liquidity risk

We refer to Note 39 to our consolidated financial statements for liquidity and liquidity risk.

C. Selected statistical information

Average balance sheet

The following table present our average balances, based on month-end averages, and interest amounts and average rates for the years 2006, 2005 and 2004 under IFRS.

	2006			2005			2004		
	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate
	(in millions of EUR, except percentages)								
Average assets(1)									
Balances at central banks									
The Netherlands	5,487	160	2.9%	4,686	94	2.0%	3,839	86	2.2%
North America	1,154	3	0.3%	865	-	-	852	-	-
Rest of the world	5,635	296	5.3%	9,643	254	2.6%	10,886	132	1.2%
Financial assets held for trading									
The Netherlands	57	1	1.8%	151	2	1.3%	38	1	2.6%
North America	5,582	209	3.7%	6,593	231	3.5%	8,247	288	3.5%
Rest of the world	59,399	1,891	3.2%	53,200	1,326	2.5%	45,152	1,100	2.4%
Financial investments									
The Netherlands	72,458	2,791	3.9%	64,876	2,500	3.9%	52,084	2,276	4.4%
North America	24,028	1,188	4.9%	27,508	1,261	4.6%	28,968	893	3.1%
Rest of the world	23,079	1,454	6.3%	20,877	1,430	6.8%	19,196	1,017	5.3%
Loans and receivables - banks									
The Netherlands	11,657	480	4.1%	11,312	441	3.9%	8,099	297	3.7%
North America	5,010	249	5.0%	6,345	228	3.6%	9,050	320	3.5%
Rest of the world	106,570	3,272	3.1%	87,034	1,991	2.3%	63,202	1,461	2.3%
Loans and receivables - customers(2)									
The Netherlands	160,596	8,449	5.3%	145,449	8,191	5.6%	140,224	7,848	5.6%
North America	112,320	6,479	5.8%	104,860	5,151	4.9%	101,266	3,926	3.9%
Rest of the world	159,831	10,776	6.7%	101,338	6,545	6.5%	78,682	4,883	6.2%
Total interest-earnings assets	752,863	37,698	5.0%	644,737	29,645	4.6%	569,785	24,528	4.3%
Non-interest-earning assets	207,139	-		168,055	-		120,432	-	
Total average assets	960,002	37,698	3.9%	812,792	29,645	3.6%	690,217	24,528	3.6%

(1) Assets temporarily sold (subject to repurchase) are included in the relevant balance sheet item.

(2) For purpose of presentation in this table, loans include professional securities transactions and public sector represents central, regional and local governments and governmental authorities.

	2006			2005			2004		
	Average balance	**Interest expense**	**Average rate**	**Average balance**	**Interest expense**	**Average rate**	**Average balance**	**Interest expense**	**Average rate**
	(in millions of EUR, except percentages)								
Average liabilities and group equity									
Financial liabilities held for trading									
The Netherlands	606	7	1.2%	-	-	-	-	-	-
North America	3,441	146	4.2%	4,868	185	3.8%	5,633	163	2.9%
Rest of the world	50,683	1,136	2.2%	34,120	869	2.5%	26,743	813	3.0%
Due to banks									
The Netherlands	59,144	1,864	3.2%	41,464	1,479	3.6%	36,166	1,115	3.1%
North America	23,373	855	3.7%	21,995	584	2.7%	23,875	453	1.9%
Rest of the world	86,939	2,730	3.1%	85,943	2,974	3.5%	67,796	2,373	3.5%
Due to customers(1)									
The Netherlands	135,077	3,862	2.9%	123,168	3,459	2.8%	116,610	3,335	2.9%
North America	70,643	2,810	4.0%	68,762	2,344	3.4%	74,030	1,418	1.9%
Rest of the world	129,092	5,536	4.3%	97,155	3,813	3.9%	79,514	2,501	3.1%
Issued debt securities									
The Netherlands	125,348	4,628	3.7%	95,562	2,822	3.0%	71,154	1,840	2.6%
North America	37,734	1,603	4.2%	33,829	976	2.9%	30,520	533	1.7%
Rest of the world	24,161	909	3.8%	15,450	362	2.3%	17,855	371	2.1%
Subordinated liabilities									
The Netherlands	12,074	567	4.7%	10,822	518	4.8%	9,532	522	5.5%
North America	6,033	389	6.4%	6,755	432	6.4%	7,498	536	7.1%
Rest of the world	1,826	81	4.4%	674	43	6.4%	669	30	4.5%
Total interest-earnings liabilities	766,174	27,123	3.5%	640,567	20,860	3.3%	567,595	16,003	2.8%
Non-interest-earning liabilities	171,001	-		154,136	-		107,509	-	
Equity(2)	22,827	-		18,089	-		15,113	-	
Total average liabilities and equity	960,002	27,123	2.8%	812,792	20,860	2.6%	690,217	16,003	2.3%

(1) For presentation in this table, due to customers includes professional securities transactions and savings accounts.

(2) Equity includes minority interests.

Changes in net interest income: volume and rate analysis

The following tables allocate, by categories of interest-earning assets and interest-bearing liabilities, changes in interest income and expenses due to changes in volume and in rates for 2006 compared to 2005 and for 2005 compared to 2004 under IFRS. Volume and rate variances have been calculated on movements in average balances and changes in interest rates. Changes due to a combination of volume and rate have been allocated proportionally.

	IFRS 2006 over 2005 Volume/Rate changes			IFRS 2005 over 2004 Volume/Rate changes		
	Change in interest income	Volume	Rate	Change in interest income	Volume	Rate
	(in millions of EUR)					
Assets						
Balances at central Banks						
The Netherlands	66	18	48	8	18	(10)
North America	3	-	3	-	-	-
Rest of the world	42	(137)	179	122	(17)	139
Financial assets held for trading						
The Netherlands	1	(2)	1	1	2	(1)
North America	(22)	(37)	15	(57)	(58)	1
Rest of the world	565	167	398	226	200	26
Financial investments						
The Netherlands	291	292	(1)	224	514	(290)
North America	(73)	(167)	94	368	(47)	415
Rest of the world	24	144	(120)	413	95	318
Loans and receivables - banks						
The Netherlands	39	14	25	144	124	20
North America	21	(54)	75	(92)	(97)	5
Rest of the world	1,281	507	774	530	545	(15)
Loans and receivables - customers (1)						
The Netherlands	258	819	(561)	343	294	49
North America	1,328	385	943	1,225	144	1,081
Rest of the world	4,231	3,932	299	1,662	1,456	206
	8,053	5,881	2,172	5,117	3,173	1,944

(1) For purposes of presentation in this table, loans include professional securities transactions.

	IFRS 2006 over 2005 Volume/Rate changes			IFRS 2005 over 2004 Volume/Rate changes		
	Change in Interest Expense	Volume	Rate	Change in Interest Expense	Volume	Rate
			(in millions of EUR)			
Liabilities						
Financial liabilities held for trading						
The Netherlands	7	-	7	-	-	-
North America	(39)	(59)	20	22	(24)	46
Rest of the world	267	381	(114)	56	201	(145)
Due to banks						
The Netherlands	385	573	(188)	364	176	188
North America	271	39	232	131	(38)	169
Rest of the world	(244)	34	(278)	601	628	(27)
Due to customers(1)						
The Netherlands	403	340	63	124	185	(61)
North America	466	66	400	926	(107)	1,033
Rest of the world	1,723	1,344	379	1,312	620	692
Issued debt securities						
The Netherlands	1,806	1,002	804	982	695	287
North America	627	123	504	443	63	380
Rest of the world	547	264	283	(9)	(53)	44
Subordinated liabilities						
The Netherlands	49	59	(10)	(4)	66	(70)
North America	(43)	(47)	4	(104)	(50)	(54)
Rest of the world	38	54	(16)	13	-	13
	6,263	4,173	2,090	4,857	2,362	2,495

(1) Due to customers includes savings accounts.

Yields, spreads and margins

The following table presents selected yield, spread and margin information applicable to us for 2006, 2005 and 2004 under IFRS.

Yields, spreads and margins	2006	2005	2004
Gross yield(1)			
The Netherlands	4.7%	5.0%	5.1%
North America	5.5%	4.7%	3.7%
Rest of the world	5.0%	4.2%	4.0%
Total Group	5.0%	4.6%	4.3%
Interest rate spread(2)			
The Netherlands	1.5%	1.9%	2.2%
North America	1.4%	1.4%	1.5%
Rest of the world	1.4%	0.8%	0.8%
Total Group	1.5%	1.3%	1.5%
Net interest margin(3)			
The Netherlands	1.0%	1.3%	1.4%
North America	1.4%	1.4%	1.5%
Rest of the world	1.1%	0.8%	1.0%
Total Group	1.1%	1.1%	1.2%

(1) Gross yield represents the interest rate earned on average interest earning assets.
(2) Interest rate spread represents the difference between the interest rate earned on average interest earning assets and the rate paid on average interest bearing liabilities.
(3) Net interest income as a percentage of average total assets.

Assets

The information at 31 December 2006, 2005 and 2004 is presented under IFRS.

Securities

Investment portfolios

For an overview of our financial investments at 31 December, 2006 and 2005 under IFRS, see Notes 16 and 50 to our consolidated financial statements.

Trading portfolios

The following table analyses the book value, which is equal to fair market value because the trading portfolios are marked-to-market, of securities in our trading portfolios at 31December, 2006, 2005 and 2004.

	at 31 December		
	2006	**2005**	**2004**
		(in millions of EUR)	
Financial assets held for trading			
Interest-earning securities:			
Dutch government	976	2,520	552
US treasury and US government agencies	1,115	7,843	5,759
Other OECD governments	29,529	37,855	28,409
Other interest-earning securities	28,670	13,789	17,114
Subtotal	60,290	62,007	51,834
Equity instruments	40,112	34,676	18,409
Derivative financial instruments	105,334	105,372	96,792
Total	205,736	202,055	167,035

Please refer to Note 15 to our consolidated financial statements.

Concentration

At 31 December 2006, we held the following securities positions in issuers, which exceeded 10% of our shareholders' equity at that date:

	IFRS	
	2006	**2005**
	(in millions of EUR)	
Brazilian central government	5,647	4,277
Japanese central government	3,787	7,329
French central government	3,085	3,573
German central government	2,760	19,634

Loans and receivables - banks

The following tables show loans to and receivables from banks at 31 December 2006, 2005 and 2004 and an analysis of their remaining life at 31 December 2006 under IFRS.

The information for 2003 and 2002 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared under IFRS.

Loans and receivables - banks	IFRS At 31 December		
	2006	**2005**	**2004**
		(in millions of EUR)	
The Netherlands	15,290	11,256	10,058
North America	2,488	4,304	5,729
Rest of the World	117,041	93,075	68,071

Total loans to banks	134,819	108,635	83,858

Loans and receivables - banks	Dutch GAAP At 31 December 2003	2002
	(in millions of EUR)	
The Netherlands	7,926	6,108
North America	6,313	8,452
Rest of the World	44,561	27,364
Total loans to banks	58,800	41,924

Loans and receivables - banks - maturities	IFRS At 31 December 2006			
	Within 1 Year	After l year and Within 5 Years	After 5 Years	Total
		(in millions of EUR)		
The Netherlands	7,537	7,226	527	15,290
North America	2,488	-	-	2,488
Rest of the World	90,085	11,369	15,587	117,041
Total loans to banks	100,110	18,595	16,114	134,819

Loans and receivables - customers

Our loan portfolio consists of loans, overdrafts, assets subject to operating leases, finance lease receivables to governments, corporations and consumers and reverse repurchase agreements. Geographic analyzes of loans are, unless otherwise specifically indicated, based on the location of the branch or office from which the loan is made.

The following table analyzes our portfolio by sector at 31 December 2006, 2005 and 2004 under IFRS.

The information for 2003 and 2002 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared in accordance with IFRS.

Loans and receivables - customers	IFRS at 31 December		
	2006	2005	2004
		(in millions of EUR)	
Public sector	11,567	7,461	6,059
Commercial	180,262	152,411	127,044
Consumer	135,484	122,708	107,124
Professional securities transactions	93,716	74,724	59,269
Multi-seller conduits	25,872	25,931	23,700
Total loans (gross)	446,901	383,235	323,196
Allowances for impairment	(3,646)	(2,987)	(3,174)
Total loans and receivables - customers	443,255	380,248	320,022

Loans and receivables - customers	Dutch GAAP at 31 December 2003	2002
	(in millions of EUR)	
Public sector	5,494	7,371

Commercial	130,983	142,296
Consumer	107,706	108,965
Professional securities transactions	56,578	56,309
Sub-total	300,761	314,941
Allowance for impairment	(3,918)	(4,038)
Total loans and receivables - customers	296,843	310,903

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In 2006, BU Netherlands continued to hold the largest share (31%) of total loans outstanding, amounting to EUR 138.5 billion. The increase of total loans outstanding of BU Europe from EUR 46.8 million at 31 December 2005 to EUR 94.0 million at 31 December 2006 is mainly attributable to the acquisition of Antonveneta.

Breakdown of total loans and receivables customers by BU in 2006

	Commercial	Consumer	Professional securities transactions	Public sector	Multi seller conduits	Total
			(in millions of EUR)			
Netherlands	40,933	93,250	1,489	2,798	-	138,470
Europe	41,509	10,862	40,659	992	-	94,022
North America	38,143	12,939	43,838	658	13,958	109,536
Latin America	10,284	7,774	1	450	-	18,509
Asia	8,772	3,446	7,269	5,659	3,667	28,813
Global Clients	31,641	1,305	364	926	8,247	42,483
Private Clients	5,920	4,604	17	-	-	10,541
Asset Management	14	1	-	-	-	15
Private Equity	120	1	-	-	-	121
Group Functions	593	-	80	72	-	745
Total	177,929	134,182	93,717	11,555	25,872	443,255

Breakdown of total loans and receivables customers by BU in 2005

	Commercial	Consumer	Professional securities transactions	Public sector	Multi seller conduits	Total
			(in millions of EUR)			
Netherlands	43,965	90,346	1,100	2,426	-	137,837
Europe	13,709	48	32,533	556	-	46,846
North America	42,325	19,109	33,286	735	13,995	109,450
Latin America	7,591	6,982	-	144	-	14,717
Asia	8,149	3,940	7,745	2,154	3,673	25,661
Global Clients	29,846	1,440	9	1,354	8,263	40,912
Private Clients	4,527	-	51	-	-	4,578
Asset Management	-	-	-	-	-	-
Private Equity	-	-	-	-	-	-
Group Functions	153	2	-	92	-	247
Total	150,265	121,867	74,724	7,461	25,931	380,248

BU Netherlands (BU NL) makes up our largest asset base, accounting for 31% of total loans outstanding, followed by BU North America (BU NA) with 25%.

For a breakdown of loans and receivables - customers by region, see also Note 39 to our consolidated financial statements.

For a breakdown of credit risk concentrations from credit facilities and guarantees issued, see also Note 39 to our consolidated financial statements.

Outstanding loans by region and sector

The following table analyses our loans by region and sector at 31 December 2006, 2005 and 2004 under IFRS. The information at 31 December 2003 and 2002 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared in accordance with IFRS.

Outstanding loans	IFRS at 31 December		
	2006	2005	2004
	(in millions of EUR)		
The Netherlands			
Public sector	3,286	2,300	1,055
Commercial	55,951	56,182	53,788
Consumer	97,600	94,603	88,585
Total the Netherlands	156,837	153,085	143,428
Rest of Europe			
Public sector	1,527	1,454	1,826
Commercial	57,425	30,882	23,102
Consumer	12,529	1,539	1,365
Total Rest of Europe	71,481	33,875	26,293
North America			
Public sector	677	735	792
Commercial	42,179	44,693	35,460
Consumer	13,017	15,218	9,716
Total North America	55,873	60,646	45,968
Latin America			
Public sector	507	596	82
Commercial	10,095	8,024	4,714
Consumer	8,320	7,270	4,246
Total Latin America	18,922	15,890	9,042
Rest of the World			
Public sector	5,570	2,376	2,304
Commercial	14,612	12,630	9,980
Consumer	4,018	4,078	3,212
Total Rest of the World	24,200	19,084	15,496
Total loans (gross)	327,313	282,580	240,227

Outstanding loans	**Dutch GAAP at 31 December**	
	2003	**2002**
	(in millions of EUR)	
The Netherlands		
Public sector	1,128	2,262
Commercial	52,990	54,319
Consumer	84,382	80,664
Total Netherlands	138,500	137,245
North America		
Public sector	898	1,129
Commercial	38,185	47,471
Consumer	14,668	20,855
Total North America	53,751	69,455
Rest of the World		
Public sector	3,468	3,980
Commercial	39,808	40,506
Consumer	8,656	7,446
Total Rest of the World	51,932	51,932
Total loans (gross)	244,183	258,632

Maturities

The following table provides an analysis of loan maturities at 31 December 2006. Determinations of maturities are based on contract terms.

Loans - maturities	**IFRS at 31 December 2006**			
	Within 1 Year	**After 1 Year and Within 5 years**	**After 5 years**	**Total**
	(in millions of EUR)			
The Netherlands				
Public sector	2,097	22	1,167	3,286
Commercial	30,763	5,236	19,952	55,951
Consumer	9,065	1,360	87,175	97,600
Total Netherlands	41,925	6,618	108,294	156,837
Rest of Europe				
Public sector	697	426	404	1,527
Commercial	27,900	16,596	12,929	57,425
Consumer	1,734	5,341	5,454	12,529
Total Rest of Europe	30,331	22,363	18,787	71,481
North America				
Public sector	16	16	645	677
Commercial	4,817	1,258	36,104	42,179
Consumer	-	53	12,964	13,017
Total North America	4,833	1,327	49,713	55,873
Latin America				
Public sector	464	19	24	507
Commercial	7,347	2,582	166	10,095
Consumer	5,615	2,210	495	8,320
Total Latin America	13,426	4,811	685	18,922
Rest of the World				
Public sector	5,519	1	50	5,570
Commercial	11,362	3,086	164	14,612
Consumer	1,428	1,901	689	4,018
Total Rest of the World	18,309	4,988	903	24,200
Total loans (gross)	108,824	40,107	178,382	327,313

Interest rate sensitivity

The following table analyses at 31 December 2006 the interest rate sensitivity of loans due after one year and within five years, and loans due after five years, divided by region.

Loans - Interest rate sensitivity	At variable Rate(1)	At Adjustable Rate(2)	At Fixed Rate(3)	Total
		(in millions of EUR)		
Due after 1 and within 5 years				
The Netherlands				
Public sector	6	7	9	22
Commercial	693	2,141	2,402	5,236
Consumer	312	669	379	1,360
Total Netherlands	1,011	2,817	2,790	6,618
Rest of Europe				
Public sector	383	11	32	426
Commercial	12,958	1,172	2,466	16,596
Consumer	3,883	54	1,404	5,341
Total Rest of Europe	17,224	1,237	3,902	22,363
North America				
Public sector	-	16	-	16
Commercial	284	733	241	1,258
Consumer	-	13	40	53
Total North America	284	762	281	1,327
Latin America				
Public sector	-	3	16	19
Commercial	642	377	1,563	2,582
Consumer	-	31	2,179	2,210
Total Latin America	642	411	3,758	4,811
Rest of the World				
Public sector	1	-	-	1
Commercial	2,510	1	575	3,086
Consumer	124	445	1,332	1,901
Total Rest of the World	2,635	446	1,907	4,988
Total (gross)	21,796	5,673	12,638	40,107
Due after 5 years				
The Netherlands				
Public sector	-	66	1,101	1,167
Commercial	2,026	11,323	6,603	19,952
Consumer	5,093	51,959	30,123	87,175
Total Netherlands	7,119	63,348	37,827	108,294
Rest of Europe				
Public sector	163	14	227	404
Commercial	11,324	487	1,118	12,929
Consumer	3,345	76	2,033	5,454
Total Rest of Europe	14,832	577	3,378	18,787
North America				
Public sector	1	51	593	645
Commercial	29,004	1,451	5,649	36,104
Consumer	4,625	2,828	5,511	12,964

Total North America	33,630	4,330	11,753	49,713
Latin America				
Public sector	-	1	23	24
Commercial	84	51	31	166
Consumer	4	8	483	495
Total Latin America	88	60	537	685
Rest of the World				
Public sector	-	-	50	50

Loans - Interest rate sensitivity	At variable Rate(1)	At Adjustable Rate(2)	At Fixed Rate(3)	Total
		(in millions of EUR)		
Commercial	95	1	68	164
Consumer	572	16	101	689
Total rest of the World	667	17	219	903
Total (gross)	56,336	68,332	53,714	178,382

(1) Variable rate loans are EURIBOR, London interbank offering rate (LIBOR), prime rate-based loans as well as adjustable rate loans with fixed interest periods of up to one year.

(2) Adjustable rate loans are loans with fixed interest rates for a period that is shorter than the entire term of the loan.

(3) Fixed rate loans are loans for which the interest rate is fixed for the entire term.

Private sector loans by type of collateral

The following tables analyses private sector loans by type of collateral at the dates indicated. Unsecured loans include loans for which we have the right to require collateral. The information at 31 December 2006, 2005 and 2004 is presented under IFRS. The information at 31 December 2003 and 2002 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared in accordance with IFRS.

Private sector loans	IFRS at 31 December 2006	2005	2004
		(in millions of EUR)	
Commercial			
Public authority guarantees	5,417	4,404	8,135
Mortgages	18,490	28,441	23,956
Securities	2,039	3,487	764
Bank guarantees	2,954	3,121	3,029
Other types of collateral	31,206	50,439	31,781
Unsecured	120,156	62,519	59,379
Total commercial loans	180,262	152,411	127,044
Consumer			
Public authority guarantees	159	3	151
Mortgages	103,272	93,826	79,639
Securities	872	2,074	2,647
Bank guarantees	31	856	2,414
Other types of collateral	12,062	7,077	7,354
Unsecured	19,088	18,872	14,919
Total consumer loans	135,484	122,708	107,124
Total private sector loans (gross)	315,746	275,119	234,168
Total private sector loans (net)(1)	312,112	272,132	230,994

Private sector loans	Dutch GAAP at 31 December 2003	2002
	(in millions of EUR)	
Commercial		
Public authority guarantees	11,382	10,313
Mortgages	28,074	20,859
Securities	1,006	1,764
Bank guarantees	3,113	2,896
Unsecured	87,408	106,464
Total commercial loans	130,983	142,296
Consumer		
Public authority guarantees	50	472
Mortgages	80,794	85,455
Unsecured	26,862	23,038
Total consumer loans	107,706	108,965
Total private sector loans (gross)	238,689	251,261
Total private sector loans (net)(1)	234,778	247,229

(1) The difference between total private sector loans (gross) and total private sector loans (net) represents our specific allowance for loan losses. For a discussion of our provisioning policy, see Note 19 to our consolidated financial statements.

Commercial Loans by Industry

Please note that we have changed our industry breakdown in order to align with our internal risk reporting as well as to anticipate on changes in respect of Basel II reporting. For the disclosure of IFRS figures we have provided comparatives under the new breakdown. As the disclosure of Dutch GAAP for the years 2002 and 2003 is not comparable to IFRS we have not prepared the figures according to the new industry breakdown.

The following table analyses commercial loans by industry at the dates indicated. The information at 31 December 2006, 2005 and 2004 is presented under IFRS. The information at 31 December 2003 and 2002 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared in accordance with IFRS.

Loans - industry (1)	2006	IFRS at 31 December 2005	2004
		(in millions of EUR)	
Basic material	15,126	8,263	7,430
Real estate	23,712	26,301	21,477
Industrial	39,666	22,757	18,323
Energy	5,424	7,391	5,584
Financial services	21,407	22,555	20,967
TMT (media and communications)	10,092	10,575	9,124
Consumer cyclical	43,775	36,673	29,771
Consumer non-cyclical	16,204	12,291	10,618
Health	4,856	5,605	3,750
Total commercial loans (gross)	180,262	152,411	127,044

Loans - industry	Dutch GAAP at 31 December 2003	2002
	(in millions of EUR)	
Agriculture, mining and energy	11,202	13,877
Manufacturing	27,980	31,132
Construction and real estate	19,025	20,477
Wholesale and retail trade	18,329	19,280
Transportation and communications	12,966	14,375
Financial services	22,086	20,198
Business services	10,565	11,881
Education, healthcare and other services	8,830	11,076
Total commercial loans (gross)	130,983	142,296

Loan Portfolio by Region

Set forth below is an analysis of our loan portfolio by region. The loan portfolio of our Dutch, European (non-Dutch) and North American operations comprised 86% of our total loan portfolio at 31 December 2006. The remainder of the total loan portfolio (described hereunder in “Rest of the World”) at 31 December 2006 includes 8% from Asian operations, 6% from Latin American operations and less than 1% from Middle East and African operations. The information at 31 December 2006, 2005 and 2004 is presented under IFRS. The information at 31 December 2003, 2002 and 2001 is not available under IFRS and is presented under Dutch GAAP in a separate table. The Dutch GAAP information is not comparable to the information prepared in accordance with IFRS.

The Netherlands loan portfolio

The Netherlands loan portfolio comprises loans originated from offices and branches located in the Netherlands. The following tables analyse, at the dates indicated, the Netherlands loan portfolio broken down into the location of the borrower, and, in the case of private sector loans, type of collateral and industry of the borrower.

The Netherlands - loans by customer location	2006	IFRS at 31 December 2005	2004
		(in millions of EUR)	
Public sector			
The Netherlands	421	480	601
Rest of Europe	1,985	1,468	35
North America	300	—	—
Rest of the World	580	352	419
Subtotal	2,865	1,820	454
Total public sector loans (gross)	3,286	2,300	1,055
Private sector			
The Netherlands	136,362	135,842	129,379
Rest of Europe	7,241	5,941	7,228
North America	1,929	2,244	1,341
Rest of the World	8,019	6,758	4,425
Subtotal	17,189	14,943	12,994

Total private sector loans (gross)	153,551	150,785	142,373

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The Netherlands - loans by customer location	**Dutch GAAP at 31 December**	
	2003	**2002**
	(in millions of EUR)	
Public sector		
The Netherlands	577	1,019
Rest of Europe	129	538
North America	—	—
Rest of the World	422	705
Subtotal	551	1,243
Total public sector loans (gross)	1,128	2,262
Private sector		
The Netherlands	125,922	124,083
Rest of Europe	6,342	3,999
North America	794	2,428
Rest of the World	4,314	4,473
Subtotal	11,450	10,900
Total private sector loans (gross)	137,372	134,983

The Netherlands - private sector loans by type of collateral	IFRS at 31 December		
	2006	2005	2004
	(in millions of EUR)		
Commercial			
Public authority guarantees	2,234	971	5,270
Mortgages	3,660	11,209	10,602
Securities	707	240	138
Bank guarantees	428	293	495
Other types of collateral	15,394	16,012	1,585
Unsecured	33,528	27,457	35,698
Total commercial loans (gross)	55,951	56,182	53,788
Consumer			
Public authority guarantees	159	-	-
Mortgages	83,006	77,412	69,060
Securities	548	1,526	2,041
Bank guarantees	9	807	2,403
Other types of collateral	6,211	2,545	4,290
Unsecured	7,667	12,313	10,791
Total consumer loans (gross)	97,600	94,603	88,585
Total private sector loans (gross)	153,551	150,785	142,373

The Netherlands - private sector loans by type of collateral	Dutch GAAP at 31 December	
	2003	2002
	(in millions of EUR)	
Commercial		
Public authority guarantees	8,083	7,282
Mortgages	12,353	5,248
Securities	146	645
Bank guarantees	710	452
Unsecured	31,698	40,692
Total commercial loans (gross)	52,990	54,319
Consumer		
Public authority guarantees	-	469
Mortgages	65,095	63,959
Unsecured	19,287	16,236
Total consumer loans (gross)	84,382	80,664
Total private sector loans (gross)	137,372	134,983

The Netherlands - commercial loans by industry (1)		IFRS at 31 December	
	2006	2005	2004
		(in millions of EUR)	
Basic material	6,480	3,552	2,978
Real estate	4,656	10,801	7,723
Industrials	9,524	3,215	4,604
Energy	666	892	948
Financial services	7,798	4,364	13,964
TMT (media and communications)	1,945	1,465	1,366
Consumer cyclical	17,981	22,860	15,587
Consumer non-cyclical	5,193	6,029	5,184
Health	1,708	3,004	1,434
Total commercial loans (gross)	55,951	56,182	53,788

The Netherlands - commercial loans by industry (1)	Dutch GAAP at 31 December	
	2003	2002
	(in millions of EUR)	
Agriculture, mining and energy	5,239	5,539
Manufacturing	8,932	9,259
Construction and real estate	6,239	6,698
Wholesale and retail trade	6,626	7,729
Transportation and communications	3,527	4,051
Financial services	15,069	12,533
Business services	3,996	4,559
Education, healthcare and other services	3,362	3,951
Total commercial loans (gross)	52,990	54,319

(1) Please note that we have changed our industry breakdown in order to align with our internal risk reporting as well as to anticipate on changes in respect of Basel II reporting. For the disclosure of IFRS figures we have provided comparatives under the new breakdown. As the disclosure of Dutch GAAP for the years 2002 and 2003 is not comparable to IFRS we have not prepared the figures according to the new industry breakdown.

European loan portfolio

The European loan portfolio is comprised of loans made from offices and branches located in Europe, excluding the Netherlands. The following tables analyse, at the dates indicated, the European private sector loan portfolio by type of collateral and industry of the borrower.

Europe - private sector loans by type of collateral	**IFRS at 31 December**		
	2006	**2005**	**2004**
	(in millions of EUR)		
Commercial			
Public authority guarantees	1,863	1,799	1,463
Mortgages	1,710	1,153	453
Securities	670	2,833	363
Bank guarantees	1,144	1,101	913
Other types of collateral	6,580	8,656	9,368
Unsecured	45,458	15,340	10,542
Total commercial loans (gross)	57,425	30,882	23,102
Consumer			
Public authority guarantees	-	3	151
Mortgages	6,243	251	183
Securities	132	336	396
Bank guarantees	5	11	3
Other types of collateral	1,736	455	109
Unsecured	4,413	483	523
Total consumer loans (gross)	12,529	1,539	1,365
Total private sector loans (gross)	69,954	32,421	24,467

Europe - private sector loans by type of collateral	**Dutch GAAP at 31 December**	
	2003	**2002**
	(in millions of EUR)	
Commercial		
Public authority guarantees	1,778	1,584
Mortgages	1,684	438
Securities	360	480
Bank guarantees	936	717
Unsecured	22,491	23,311
Total commercial loans (gross)	27,249	26,530
Consumer		
Public authority guarantees	49	-
Mortgages	185	241
Unsecured	1,022	1,050
Total consumer loans (gross)	1,256	1,291
Total private sector loans (gross)	28,505	27,821

Europe - commercial loans by industry (1)	IFRS at 31 December		
	2006	2005	2004
	(in millions of EUR)		
Basic materials	3,646	2,750	2,942
Real estate	5,902	1,423	411
Industrials	13,109	2,975	2,601
Energy	2,995	2,847	2,813
Financial services	7,577	6,587	2,921
TMT (media and communications)	3,649	8,038	5,698
Consumer cyclical	14,156	4,269	3,637
Consumer non-cyclical	5,438	1,292	1,590
Health	953	701	489
Total commercial loans (gross)	57,425	30,882	23,102

Europe - commercial loans by industry (1)	Dutch GAAP at 31 December	
	2003	2002
	(in millions of EUR)	
Agriculture, mining and energy	1,513	1,989
Manufacturing	6,115	6,712
Construction and real estate	2,225	1,761
Wholesale and retail trade	3,956	3,082
Transportation and communications	4,680	4,316
Financial services	4,104	3,630
Business services	3,214	2,946
Education, healthcare and other services	1,442	2,094
Total commercial loans (gross)	27,249	26,530

(1) Please note that we have changed our industry breakdown in order to align with our internal risk reporting as well as to anticipate on changes in respect of Basel II reporting. For the disclosure of IFRS figures we have provided comparatives under the new breakdown. As the disclosure of Dutch GAAP for the years 2002 and 2003 is not comparable to IFRS we have not prepared the figures according to the new industry breakdown.

North American loan portfolio

The North American loan portfolio is comprised of loans made by the LaSalle Bank Corporation and Subsidiaries, loans made by offices and branches of the Bank. The following tables analyse, at the dates indicated, the North American private sector loan portfolio by type of collateral and by industry of the borrower.

North America - private sector loans by type of collateral	IFRS at 31 December		
	2006	2005	2004
	(in millions of EUR)		
Commercial			
Public authority guarantees	765	1,227	961
Mortgages	12,688	15,724	12,565
Securities	77	73	63
Bank guarantees	13	871	288
Other types of collateral	1,311	20,083	17,837
Unsecured	27,325	6,715	3,746
Total commercial loans (gross)	42,179	44,693	35,460
Consumer			
Mortgages	12,694	14,750	9,311
Securities	32	33	33
Bank guarantees	-	-	1
Other types of collateral	22	378	314
Unsecured	269	57	57
Total consumer loans (gross)	13,017	15,218	9,716
Total private sector loans (gross)	55,196	59,911	45,176

North America - private sector loans by type of collateral	Dutch GAAP at 31 December	
	2003	2002
	(in millions of EUR)	
Commercial		
Public authority guarantees	1,100	1,202
Mortgages	13,658	14,755
Securities	264	298
Bank guarantees	466	815
Unsecured	22,697	30,401
Total commercial loans (gross)	38,185	47,471
Consumer		
Mortgages	14,128	19,914
Unsecured	540	941
Total consumer loans (gross)	14,668	20,855
Total private sector loans (gross)	52,853	68,326

North America - commercial loans by industry (1)	IFRS at 31 December		
	2006	2005	2004
	(in millions of EUR)		
Basic materials	2,503	1,135	1,067
Real estate	11,849	10,516	10,704
Industrials	9,331	11,071	7,653
Energy	1,064	3,091	1,563
Financial services	3,694	7,937	2,660
TMT (media and communications)	1,585	1,479	1,567
Consumer cyclical	7,216	5,523	6,703
Consumer non-cyclical	3,251	2,745	2,243
Health	1,686	1,196	1,300
Total commercial loans (gross)	42,179	44,693	35,460

North America - commercial loans by industry (1)	Dutch GAAP at 31 December	
	2003	2002
	(in millions of EUR)	
Agriculture, mining and energy	3,506	5,078
Manufacturing	7,816	10,228
Construction and real estate	9,922	11,340
Wholesale and retail trade	5,605	6,267
Transportation and communications	2,949	3,990
Financial services	1,974	2,469
Business services	2,623	3,741
Education, healthcare and other services	3,790	4,358
Total commercial loans (gross)	38,185	47,471

(1) Please note that we have changed our industry breakdown in order to align with our internal risk reporting as well as to anticipate on changes in respect of Basel II reporting. For the disclosure of IFRS figures we have provided comparatives under the new breakdown. As the disclosure of Dutch GAAP for the years 2002 and 2003 is not comparable to IFRS we have not prepared the figures according to the new industry breakdown.

Rest of the world loan portfolio

The Rest of the World loan portfolio is comprised of loans made from offices and branches around the world, excluding the Netherlands, Europe and North America. The following tables analyse, at the dates indicated, the Rest of the World private sector loan portfolio by type of collateral and industry of the borrower.

Rest of the world - private sector loans by type of collateral	IFRS at 31 December		
	2006	2005	2004
Commercial	(in millions of EUR)		
Public authority guarantees	555	407	441
Mortgages	432	355	336
Securities	585	341	200
Bank guarantees	1,369	856	1,333
Other types of collateral	7,921	5,688	2,991
Unsecured	13,845	13,007	9,393
Total commercial loans (gross)	24,707	20,654	14,694
Consumer			
Mortgages	1,329	1,413	1,084
Securities	160	179	177
Bank guarantees	17	38	7
Other types of collateral	4,093	3,699	2,642
Unsecured	6,739	6,019	3,548
Total consumer loans (gross)	12,338	11,348	7,458
Total private sector loans (gross)	37,045	32,002	22,152

Rest of the world - private sector loans by type of collateral	Dutch GAAP at 31 December	
	2003	2002
	(in millions of EUR)	
Commercial		
Public authority guarantees	421	245
Mortgages	379	418
Securities	236	341
Bank guarantees	1,001	912
Unsecured	10,522	12,060
Total commercial loans (gross)	12,559	13,976
Consumer		
Public authority guarantees	2	3
Mortgages	1,386	1,341
Unsecured	6,012	4,811
Total consumer loans (gross)	7,400	6,155
Total private sector loans (gross)	19,959	20,131

Rest of the world - commercial loans by industry (1)	**IFRS at 31 December**		
	2006	**2005**	**2004**
	(in millions of EUR)		
Basic materials	2,497	1,653	955
Real estate	1,305	927	679
Industrials	7,702	3,938	3,605
Energy	699	605	714
Financial services	2,338	4,163	965
TMT (media and communications)	2,913	1,975	1,851
Consumer cyclical	4,422	4,452	3,651
Consumer non-cyclical	2,322	2,257	1,803
Health	509	684	471
Total commercial loans (gross)	24,707	20,654	14,694

Rest of the world - commercial loans by industry (1)	**Dutch GAAP at 31 December**	
	2003	**2002**
	(in millions of EUR)	
Agriculture, mining and energy		