ABN·AMRO

Annual Report 2003
ABN AMRO Holding N.V.

Profile

ABN AMRO

- is a prominent international bank with origins going back to 1824
- ranks eleventh in Europe and twenty-third in the world based on tier 1 capital
- has more than 3,700 branches in over 60 countries and territories, a staff of about 110,000 full-time equivalents and total assets of EUR 560 billion as of year-end 2003
- is listed on the Euronext Amsterdam, London and New York Stock Exchanges, among others.

Our business strategy is built on five key elements:

1. Creating value for our clients by offering high-quality financial solutions which best meet their current needs and long-term goals
2. Focusing on:
   - consumer and commercial clients in our home markets of the Netherlands, the United States Midwest, Brazil and in selected growth markets around the world
   - selected wholesale clients with an emphasis on Europe, and financial institutions
   - private clients
3. Leveraging our advantages in products and people to benefit all our clients
4. Sharing expertise and operational excellence across the group
5. Creating 'fuel for growth' by allocating capital and talent according to the principles of Managing for Value, our value-based management model.

The goal is sustainable growth which will benefit all our stakeholders: clients, shareholders, employees and society at large. ABN AMRO's Corporate Values and Business Principles guide everything we do as an organisation and as individuals.

We basically implement the strategy through three Strategic Business Units:

- Consumer & Commercial Clients (C&CC) – for individual and corporate clients requiring day-to-day banking. We serve approximately 16 million clients, mainly through ABN AMRO's major presence in the Netherlands, the United States Midwest and Brazil. The Business Unit New Growth Markets is expanding consumer and commercial operations in selected countries
- Wholesale Clients (WCS) – is one of the largest Europe-based wholesale banking businesses with around 10,000 clients, over 17,000 employees and operations in about 50 countries
- Private Clients & Asset Management (PC&AM) – for high net-worth individuals and institutional investors. It has Assets under Administration of EUR 102 billion and Assets under Management of EUR 156 billion as of year-end 2003.

The Amsterdam-based children's Circus Elleboog ('Elbow' circus) has been on the voluntary projects list of ABN AMRO staff for many years. We believe that a small circus such as this deserves to be much better known.

But what do a bank and a children's circus have in common? Quite a lot, actually. Performance, client focus, ambition and teamwork are the keys to success for bank and circus alike – now and in the future.

We could have highlighted these qualities in our annual report by turning the spotlight on ourselves. But isn't looking at the children of Circus Elleboog a lot more fun?

Annual Report 2003
ABN AMRO Holding N.V.

Contents

Managing Board

From left to right: Hugh Scott-Barrett, Wilco Jiskoot, Dolf Collee, Rijkman Groenink, Tom de Swaan and Joost Kuiper.

Dear Shareholder,

On behalf of the Managing Board, I am writing to you about the performance of your bank in 2003.

Although the global economy improved, conditions remained challenging. Against this background, our performance was very satisfactory. The operating result exceeded EUR 6 billion for the first time in our history, driven by higher revenue and stringent cost control across all Strategic Business Units. The substantially better result from the Wholesale Clients SBU is especially noteworthy. Provisioning declined, and net profit was a record EUR 3,161 million.

These very good results are due first and foremost to our professional and committed staff. The results also reflect effective execution of the group strategy, which is multi-regional with a focus on retail and commercial banking strongly supported by our international wholesale franchise.

We will continue to focus on growth and cost control in 2004. The formation of Group Shared Services, headed by the newly appointed Chief Operating Officer, will reduce costs further while maintaining and improving operational excellence.

The Dutch Corporate Governance Code (the 'Tabaksblat Code') came into force on 1 January 2004. Our governance model was already very much in line with the best practice provisions of the code. However, we will make one important change, which is withdrawing our defence mechanism by cancelling the Dutch preference shares. This is another major step towards optimising the role of shareholders in the governance of ABN AMRO. We report extensively on the code in this Annual Report and in a separate supplement which accompanies this Report.

Looking at 2004 and especially at our home markets, the United States and Brazil will experience healthy economic growth while Europe in general, and the Netherlands in particular, will expand more moderately. We expect our operating result and net profit to grow further in 2004, albeit more slowly. Based on our 2003 results and our confidence about 2004, we will propose to shareholders that the final dividend be increased from EUR 0.45 to EUR 0.50, making a total dividend of EUR 0.95 for the year.

Sincerely,

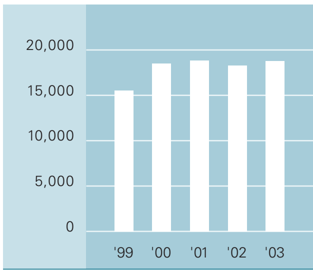
Rijkman Groenink,
Chairman of the Managing Board

Amsterdam, 12 March 2004

Figures at a glance *(in euros)*

Total revenue

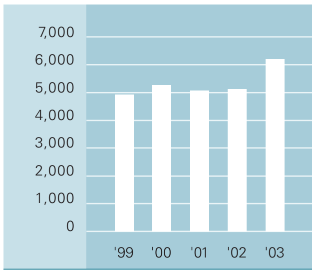
(in millions)



2003	18,793
2002	18,280
2001	18,834
2000	18,469
1999	15,527

Operating result

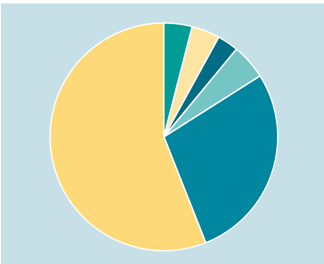
(in millions)



2003	6,208
2002	5,132
2001	5,063
2000	5,267
1999	4,918

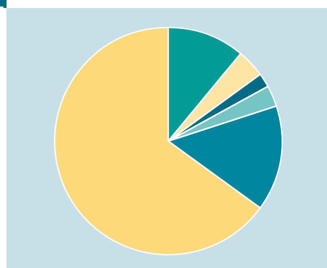
Revenues 2003 per SBU

(in %)



Operating result 2003 per SBU

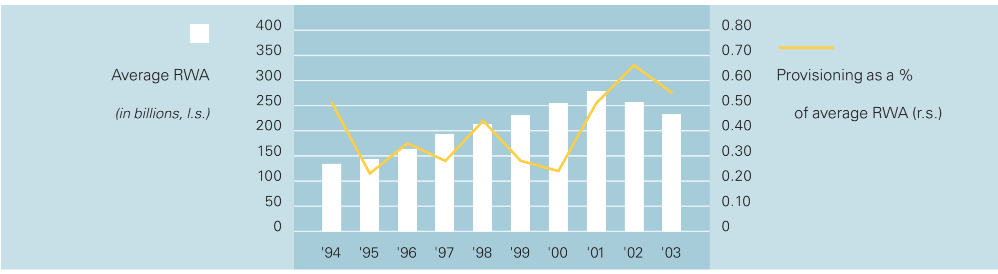
(in %)



Revenues 2003		Operating result 2003
56	C&CC	65
28	WCS	15
5	PC	3
3	AM	2
4	LPC	4
4	CC	11

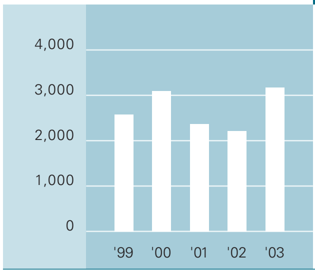
Provisioning as a % of average risk-weighted assets

	1994	1995	1996	1997	1998	1999	2000	2001	2002	**2003**
Average RWA *(in billions)*	134	143	163	193	212	231	255	279	257	**232**
Provisioning *(in millions)*	681	328	569	547	941	653	617	1,426	1,695	**1,274**
Provisioning as a % of average RWA	0.51	0.23	0.35	0.28	0.44	0.28	0.24	0.51	0.66	**0.55**



Net profit

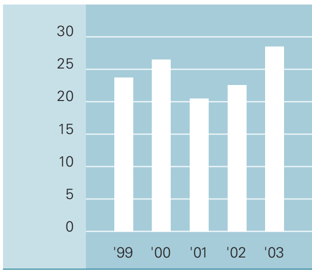
(in millions)



2003	3,161
2002	2,207
2001	2,363
2000	3,097
1999	2,570

Return on equity

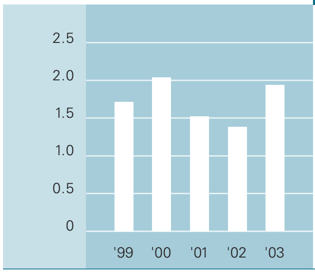
(in %)



2003	28.5
2002	22.6
2001	20.5
2000	26.5
1999	23.7

Earnings per share

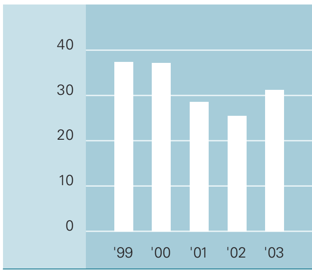
(in euros)



2003	1.94
2002	1.39 [1]
2001	1.53
2000	2.04
1999	1.72

Market capitalisation

(in billions)

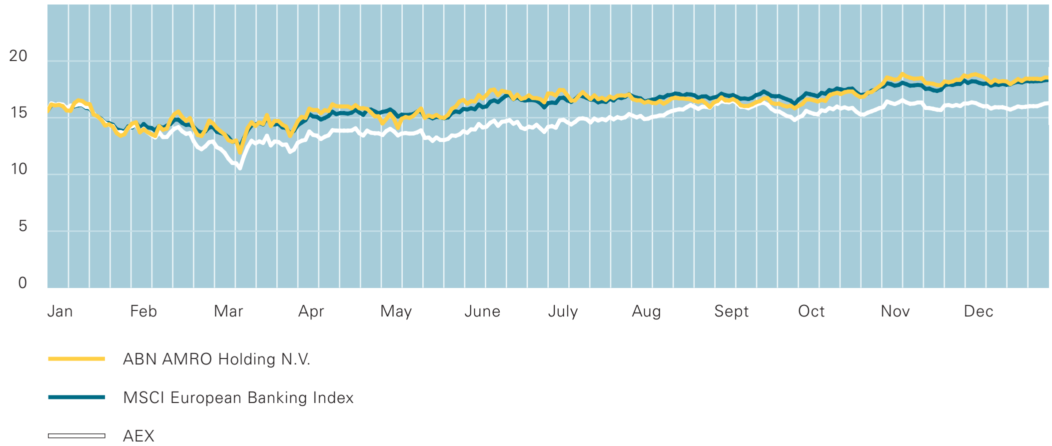


2003	31.2
2002	25.5
2001	28.6
2000	37.2
1999	37.4

1 *2002 earnings per share before special items were 1.52.*

Share price movements January 2003-December 2003 *(in euros)*

(MSCI and AEX indices restated on the basis of ABN AMRO Holding N.V. ordinary share price on 2 January 2003)



Business in brief

Key figures 2003

(in millions of euros)

	2003	2002	2001
Total revenue	**18,793**	18,280	18,834
Operating expenses	**12,585**	13,148	13,771
Operating result	**6,208**	5,132	5,063
Provisioning for loan losses	**1,274**	1,695	1,426
Value adjustments to financial fixed assets	**16**	49	24
Operating profit before taxes	**4,918**	3,388	3,613

Net profit increased by 31.1% on the back of a record operating result and lower loan loss provisioning. The underlying trends were revenue growth and stringent cost control in a recovering but still challenging economic environment.

Further improvement in our efficiency ratio and decrease in our risk-weighted assets (RWA) point to the central tenets of our Managing for Value (MfV) strategy: cost restraint and efficient capital allocation. The main contributors were continuing favourable conditions for the United States (US) mortgage business and recovery in Wholesale Clients (WCS).

Net profit and assets

- *Net profit* of EUR 3,161 million was a group record and an increase of 31.1% over 2002. The causes were a higher operating result and lower loan loss provisions.
- *Net earnings per ordinary share* were EUR 1.94 (2002: EUR 1.52 excluding extraordinary items).
- *Consolidated total assets* increased by EUR 4.4 billion to EUR 560.4 billion at year-end 2003.
- *RWA* declined by EUR 5.8 billion from EUR 229.6 billion at year-end 2002 to EUR 223.8 billion at year-end 2003.

Consolidated results

Profit and revenue:

- *Operating result* improved by 21.0% to a record EUR 6,208 million.
- *Pretax profit* improved by 45.2%. As with last year, US dollar hedging mitigated US dollar-related exchange rate movements and is reflected in total revenue under results from financial transactions.
- *Revenue* increased by 2.8%, boosted by the continued attractive environment for mortgage origination in the US.
- *Net interest* fell by 1.2% due to foreign exchange differences. Excluding these, the volume increase was 9.8% on the back of organic growth in the home markets.
- *Net commissions* decreased by 3.8%, also because of currency effects. The volume increase was 4.9%, supported by a recovery in market conditions.
- *Results from financial transactions* increased by 34.9%. The main reasons were favourable trading results and profits from US dollar hedging results which offset the negative currency impact elsewhere.
- *Other revenue* is up 20.2% and reflects the increased revenue from mortgage origination and mortgage servicing rights in the US. Revenue from securities and participations declined by EUR 100 million as a result of lower contributions from holdings and smaller profits from sales of participations.
- This increase in revenue, combined with the decrease in expenses, improved the efficiency ratio (operating expenses as a percentage of total revenue) to 67.0% (2002: 71.9%).

Expenses:

- *Operating expenses* (total staff costs, other administrative expenses and depreciation) were down by 1.9% to EUR 12,585 million, before adjustment to include extraordinary items from 2002, as cost controls were applied consistent with revenue development.
- *Loan loss provisions* decreased by 24.8%, as economic conditions improved, following record provisions in 2002. Value adjustments to financial fixed assets decreased by EUR 33.0 million to EUR 16.0 million, representing lower net unrealised gains and losses in the value of shares in the bank's investment portfolios.
- *Taxes* increased by 37.5% to EUR 1,503 million, excluding extraordinary items, in line with higher operating profit before taxes. The overall effective tax rate (taxes divided by operating profit before taxes) deteriorated in 2003 to 30.6% from 28.7% in 2002. Tax benefits in WCS offset lower tax benefits in Brazil.
- *Minority interests* increased by 22.1% from EUR 208 million to EUR 254 million, caused largely by an increase in dividends paid on preference shares.

Moving ahead
with raising value for shareholders by
creating greater value for clients

2003 diary

January
ABN AMRO Life Capital, a new company, starts by selling pension and life insurance products in Belgium.

February
Rebranding of major subsidiaries in the US and Europe announced.
ABN AMRO's green and yellow shield will be used worldwide with existing local names.

Asset Management agrees to buy 33% of Shanghai-based Xiangcai Hefeng Fund Management, the asset management arm of China's Xiangcai Securities.

March
Marcus Vincius Pratini de Moraes, Paolo Scaroni and Lord Sharman of Redlynch appointed members of the Supervisory Board.

Agreement by Banco ABN AMRO Real of Brazil to acquire a 94.6% stake in Banco Sudameris from Banca Intesa, substantially enlarging ABN AMRO's presence in this home market.

Purchase of a 12.25% stake in Banca Antonveneta of Italy finalised. ABN AMRO remains a member of the core shareholders' pact with Banca Antonveneta.

April
ABN AMRO Life Capital to form partnership with Acerta, a Belgian social insurance and human resources group, to provide supplementary pension insurance in Belgium.

May
Joint insurance venture between ABN AMRO Insurance and Delta Lloyd officially established, with effect from 1 January 2003.

Launch of ABN AMRO report, 'Desire to retire: The European Pension Problem', setting out possible solutions to Europe's pension crisis.

Covenant signed with FSC Nederland, committing ABN AMRO to use only FSC-certified wood and wood products in its buildings. FSC is the Forestry Stewardship Council, an international body.

June
Dutch private investors put EUR 865 million into nine new ABN AMRO mutual funds – the bank's most successful retail fund launch.

ABN AMRO is one of ten leading banks from seven countries which adopt the 'Equator Principles', a voluntary set of guidelines for managing social and environmental issues arising from financing development projects.

July
Agreement signed with ShoreBank, international financial and bilateral development agencies to set up ShoreCap International, which will invest in and advise financial institutions providing small and microbusiness loans in developing countries.

August
ABN AMRO Rothschild plays a leading role in completing USD 326.8 million Initial Public Offering for Bank Mandiri in Indonesia.

September
ABN AMRO's US wholesale banking expands with Financial Markets making a significant investment in high-grade credit and asset securitisation.

Launch of Sports Desk, a special financial service for professional athletes, with former Wimbledon tennis champion Richard Krajicek as its ambassador.

New High Income Equity Fund attracts private investor subscriptions totalling EUR 140 million in the first ten days after its launch.

Major advertising campaign to support rebranding will star 2,500 ABN AMRO employees from Amsterdam, Chicago, Detroit, London, São Paulo and Singapore.

October
ABN AMRO raises its stake in Capitalia, an Italian bank, to 9%, and participates in a new shareholders' pact with Capitalia.

Acquisition of Banco Sudameris in Brazil completed.

November
Changes in the allocation of responsibilities for (Strategic) Business Units within the Managing Board announced.

December
Sale of US Prime Brokerage Unit to Union Bank of Switzerland completed.

ABN AMRO agrees to buy German private bank Bethmann Maffei for EUR 110 million.

Agreement in principle to sell the US-based Professional Brokerage business to investment bank Merrill Lynch.

Supervisory Board

ABN AMRO's results for 2003 were very good. The resurgence of Wholesale Clients (WCS) in the second half of the year, as measured by net profit contribution to the group, illustrated the solid performance across much of the group. The excellent outcome for the year can largely be credited to the dedicated and successful worldwide efforts of management and staff, who delivered the higher revenues, good cost control and lower provisions which underpinned the results.

Financial statements and proposed dividend

This Annual Report includes the financial statements, which were audited by Ernst & Young Accountants and subsequently approved by our Board. We propose to shareholders that they adopt the 2003 financial statements and discharge the Managing Board and Supervisory Board in respect of their management and supervision respectively. Upon adoption of the financial statements and the profit appropriation, ordinary shareholders will receive a dividend of EUR 0.95 per ordinary share of EUR 0.56, each with a stock dividend option. An interim dividend of EUR 0.45 has already been declared, leaving a final dividend of EUR 0.50 per ordinary share. The holders of preference shares will receive dividends in accordance with the articles of association as described on page 160.

Composition of the Supervisory Board

Marcus Vincius Pratini de Moraes, Paolo Scaroni and Lord Sharman of Redlynch were appointed to the Supervisory Board for a term of four years, with effect from 29 April 2003. David de Rothschild and Louise Groenman were reappointed to the Supervisory Board for a new term of four years each from the same date.

On 30 October 2003 it was announced that Jan Kalff had decided to step down as a member of the Supervisory Board of ABN AMRO with immediate effect. Mr Kalff wished his resignation to underline his efforts to avoid potential conflicts of interest arising from his simultaneously being Chairman of the Supervisory Board of Hagemeyer, which was undergoing a financial restructuring. ABN AMRO played a central role in the negotiations with Hagemeyer on behalf of a large group of financial institutions. We regret that he has stepped down but respect his decision. He was an excellent Board member, thanks to his expertise in banking, his dedication and integrity. Mr Kalff left the bank after a career of almost 40 years, the last three as a member of the Supervisory Board. The bank owes him a debt of gratitude for his outstanding contribution over these many years.

Trude Maas-de Brouwer is due to resign by rotation on 29 April 2004, but is nominated by our Board for reappointment by the shareholders for a new term of four years with effect from 29 April 2004. At the same time, the Supervisory Board nominates Andries Olijslager for appointment by the shareholders as a new member of the Board, also with effect from 29 April 2004.

Mrs Maas has been a member of the Supervisory Board since 2000 and has made a considerable contribution to our work. Her broad knowledge of human capital in large organisations proved invaluable during the bank's extensive restructuring.

Mr Olijslager, who is a Dutch national, has enjoyed a distinguished business career in the Netherlands, culminating in his present position of Chairman of the Board of Management of Friesland Coberco Dairy Foods, an international dairy company. He holds a wide range of directorships and advisory posts, including membership of ABN AMRO's Advisory Council which he will relinquish if appointed to our Board.

We are sure that Mrs Maas will continue to make, and that Mr Olijslager will make, a valuable contribution to our Board. A curriculum vitae for each of them can be found on pages 172-173 of the Annual Report.

The nominations and appointments were in accordance with the membership profile, which can be found on pages 170-171 of this Annual Report. The Central Works Council was informed of the vacancies and the proposed nominations.

As a result of these changes, the size of the Board will remain at 12 members, of whom five are non-Dutch.

Management changes in ABN AMRO

Following a proposal by the Managing Board, our Board agreed in October 2003 to changes in the allocation of responsibilities for Strategic Business Units (SBUs) and Business Units (BUs) within the Managing Board. The new allocation of responsibilities aims to sharpen the Managing Board's focus on the group as a whole in order to maximise the synergies between the SBUs. It does not change the core structure of the three SBUs.

Having co-led the successful restructuring of WCS, which is now largely complete, Hugh Scott-Barrett was appointed Chief Operating Officer (COO) and was also made responsible for a number of group functions related to strategy and performance management. In addition, as COO, he is in charge of a new function, Group Shared Services (GSS). As of 1 January 2004, Mr Scott-Barrett is no longer responsible for WCS.

GSS was established to extend shared services delivery across BUs. In addition, GSS will focus on further exploiting new market solutions for support services, including outsourcing and obtaining services from offshore and bundling services. Improved cooperation and a more commercial approach will yield benefits leading to better products and services for our clients at lower costs. GSS is discussed in more detail on page 61.

Dolf Collee took over the responsibility for the BU Brazil from Joost Kuiper, whose remit will therefore concentrate on the BUs North America and the Netherlands.

Wilco Jiskoot, who continues to be in charge of WCS, also acquired Mr Collee's responsibility for Asset Management.
In summary, the new management structure of the Managing Board is:

- Rijkman Groenink
  Chairman
- Tom de Swaan
  Chief Financial Officer (CFO)
- Hugh Scott-Barrett
  Chief Operating Officer (COO)
- Joost Kuiper
  Consumer & Commercial Clients (the Netherlands, North America)
- Dolf Collee
  Consumer & Commercial Clients (Brazil, New Growth Markets), Private Clients
- Wilco Jiskoot
  Wholesale Clients, Asset Management.

It was also decided to create a group committee to concentrate on the most important strategic and business issues and to realise further cross-SBU synergies. Together with the Managing Board, eight business representatives will form this Group Business Team:

- Norman Bobins
  Chief Executive Officer (CEO) BU North America
- Jan Peter Schmittmann
  CEO BU Netherlands
- Fabio Barbosa
  CEO BU Brazil
- Lex Kloosterman
  CEO Private Clients / New Growth Markets
- Piero Overmars
  WCS
- Alexandra Cook-Schaapveld
  WCS
- Huibert Boumeester
  CEO Asset Management
- Maurice Oostendorp
  CEO Group Shared Services.

The structural changes were implemented in November and GSS began operating on 1 January 2004.

The Managing Board consulted the Supervisory Board about the appointment to Senior Executive Vice President (SEVP) of Huibert Boumeester (CEO Asset Management), Pierre Fleuriot (WCS – Client Country Coverage Europe) and Steve Gregg (WCS – Industrials).

As a result of these appointments, organisational changes and retirements, the number of SEVPs rose by one to 22.

Full Board activities

The Supervisory Board met on seven occasions during the period under review. Six meetings were held at the premises of the bank in the Netherlands and one at the office of the bank in London. The latter was combined with a meeting with the local management team so that the members of the Supervisory Board could better understand the activities of the bank in London. The bank has 3,000 staff in London, where there is a large concentration of WCS and Asset Management businesses. All meetings except one were plenary sessions with the full Managing Board. The January session is customarily split into two: in part one, the Supervisory Board evaluates its own composition and performance and those of the Managing Board; part two is a normal meeting together with the Managing Board.

The Chairman and Vice Chairman of the Supervisory Board prepared the meetings of our Board with the assistance of the Chairman of the Managing Board. Regular agenda items included aspects of the corporate strategy, financial performance, credit and other risks, the performance contracts of the SBUs and the consolidated group financial statements, corporate governance and organisation structure, human resources policy, customer and services strategies.

The financial performance of the bank is extensively discussed at the Supervisory Board meetings preceding the publication of quarterly or (semi-) annual results. Relevant executives and internal and external auditors participate in these discussions. The meetings are preceded by meetings of the Audit Committee, which advises the full Supervisory Board on the approval of the financial results. Comprehensive information provided by the Managing Board and reviewed by the Audit Committee with the assistance of internal and external auditors gives the Supervisory Board a good picture of the bank's risks, results, capital and liquidity position, both absolutely and relative to agreed targets and the bank's chosen peer group.

Group strategy and the strategies for the various geographical markets and client segments are regularly discussed between the Supervisory Board and the Managing

Board, as are developments in the (S)BUs. During the annual review of group strategy, the Supervisory Board agreed with the Managing Board to strengthen the strategy of building on key client areas, with an emphasis on asset gathering, to take account of changes in geopolitical and economic circumstances. The competitive scene in countries such as France, Germany and Italy, and developments in the US Midwest and Brazilian banking markets, were among the factors influencing the strategy. As part of the group strategy agenda, the Supervisory Board regularly discussed the policy on, and specific proposals for, acquisitions and divestments.

The Managing Board regularly informs the Supervisory Board about intended organisational and senior staff changes in the different bank businesses and about human resources policy. The October meeting discussed and approved changes in the allocation of responsibilities within the Managing Board and the establishment of the Group Business Team, as set out on pages 13-14. Close attention was paid to the outsourcing of the WCS information technology (IT) platform to Electronic Data Systems (EDS), a global IT services company, and the consequences for staff. The restructuring of the activities in France, its strategic merits and its consequences for the current organisation and staff were also followed carefully. The October meeting also reviewed and endorsed the bank's policy on sustainable development.

Corporate governance was discussed on several occasions in the light of global and Dutch developments in relevant ideas and legislation. The Supervisory Board agreed with the proposal of the Managing Board to change the corporate governance of ABN AMRO Holding N.V. to increase shareholder influence and to use the legal exemption allowing ABN AMRO Holding N.V. to operate outside the Dutch so-called Large Company Regime. A proposal to amend the Articles of Association was accordingly submitted to, and approved by, the shareholders.

Shareholders now have the authority to appoint and dismiss the members of the Managing Board and the Supervisory Board and to adopt the financial statements and profit appropriation. A covenant was concluded with the Dutch Central Works Council regulating its position as described below on page 19 under Contacts with the Dutch Central Works Council.

At its meeting on 6 August 2003 the Supervisory Board extensively discussed the draft Dutch Corporate Governance Code, as proposed by the Corporate Governance Committee (called the Tabaksblat Committee after its chairman, Morris Tabaksblat). We are convinced that a corporate governance code which meets the highest international standards will substantially contribute to the confidence of investors and other stakeholders in Dutch publicly quoted companies. Although ABN AMRO was already largely applying the draft code, we supported the Managing Board in its efforts, either directly or jointly with other large corporations and through the Confederation of Netherlands Industry and Employers (VNO-NCW), the Dutch Bankers' Association (NVB) and the Association of Dutch Listed Companies (VEUO), to convince the Tabaksblat Committee to amend several paragraphs in the draft code. Please see the corporate governance chapter on pages 20-23 and the supplement to this Annual Report for a longer review of these issues.

Audit Committee

The Audit Committee of the Supervisory Board is appointed by the Supervisory Board from among its members. As of 29 April 2003, the Audit Committee consisted of Aarnout Loudon (Chairman), Wim Dik, Jan Kalff (who resigned in October), Arthur Martinez, Lord Sharman and Maarten van Veen. Mr Martinez and Lord Sharman joined the Audit Committee in April and were appointed for a term of four years. Both Messrs Martinez and Sharman are financial experts. On 1 January 2004 Mr Loudon stepped down from the Audit Committee and Mr Martinez succeeded him as Chairman. The members collectively and individually have the experience, financial expertise and independence necessary to supervise the bank's business, financial statements and risk profile.

The Committee met on five occasions with the Chairman of the Managing Board and the CFO. During its meetings the Committee reviewed, discussed and advised the Supervisory Board on the annual and interim financial statements, the Annual Report, the long-form external auditor's report and the internal and external auditors' management letter including the Managing Board's related comments. These topics were discussed in the presence of internal and external auditors and senior representatives from Group Finance. The Committee reviewed the performance and the quality standards of the external auditor, and reported its findings and recommendations to the plenary Supervisory Board.

In the presence of senior representatives from Group Risk Management, the Committee reviewed and discussed the overall risk profile (credit risk, market risk, cross-border risk and operational risk), the quality of the loan portfolio and of the bank's large exposures, and provisioning for loan losses. Other regular topics discussed during the meetings were litigation and rating agency reports.

Specific attention was paid in 2003 to the global and national legislative situation. In various meetings the Committee discussed the implications of new legal and regulatory requirements. Consequently, the Committee revised the ABN AMRO auditor independence policy and adopted the ABN AMRO pre-approval policy. These policies cover rules for the appointment and oversight of registered (external) auditors providing audit, audit-related and non-audit services to the bank and the pre-approval of the Committee to engage these services. In accordance with these policies the Audit Committee approved the budget of the external auditors for all categories of services and the engagement letter of the external auditor.

The Committee reviewed and adopted the Managing Board's proposed complaint procedures – the 'whistle blowers' policy – for employees and lawyers. It also reviewed the bank's Corporate Values and Business Principles, which apply to all employees.

Nomination & Compensation Committee

As from 29 April 2003, the Committee consisted of four members:
Aarnout Loudon (Chairman), Antony Burgmans, Trude Maas (formerly a member of the Audit Committee) and Maarten van Veen. The SEVP in charge of Group Human Resources acts as secretary to the meetings. Several proposals to the Supervisory Board were prepared. The Chairman of the Managing Board was invited to discuss with the Committee the composition and compensation of the Managing Board.

The Nomination & Compensation Committee met on five occasions in 2003 and in addition one telephone conference was held.

In his letter dated 24 April 2003, the Chairman of the Supervisory Board and the Committee addressed all shareholders about the procedure for approving changes in the structure of share-based Managing Board compensation. His letter confirmed that the Supervisory Board had agreed to put future amendments to share-based compensation to the General Meeting of Shareholders for its approval.

As in previous years, the Committee has been assisted by an external remuneration advisor, Towers Perrin, which provides the Committee with market-related information and professional advice on commonly applied reward elements, best practices and expected developments. These services to the Nomination & Compensation Committee are provided under an arrangement which is, and by consultants who are, separate from other consultancy services provided by Towers Perrin.

The Managing Board reward package changed little in 2003 and stayed in line with the compensation policy which came into force at the beginning of 2001. This policy is explained below.

Managing Board compensation policy

Two principles underlie the compensation policy. One is that the package must be competitive so that qualified and expert Managing Board members can be recruited from inside and outside the company and be retained. The bank has to consider its position in Europe as well as comparing itself with its chosen peer group, so it targets a median or mid-market rate relative to other leading European financial institutions. The second principle is that there must be a strong emphasis on actual performance against demanding targets in the short and longer term for all components except base pay.

The main fixed and variable components of the Managing Board's reward programme can be summarised as follows:

- A common *base salary* applies to all Managing Board members except the Chairman. In 2001 this was set at EUR 635,292 and EUR 889,410 for the Chairman. There has been no change since then and no increase has been made for 2004. The pensionable portion of the base salaries was set at 90% of basic salary, an exception to the standard ABN AMRO Dutch pension policy of 100% of basic salary. However, from 1 November 2003 the basic salary will be taken into account for pension purposes. This provision is in line with a similar move for senior management in the Netherlands and only affects future pension accruals and will not be related to earlier service.

- The *annual performance bonus* is determined on the basis of a combination of measures such as economic profit (EP), return on equity (RoE), efficiency ratios and other key targets which are set for the organisation at the beginning of each year. The Nomination & Compensation Committee will review performance over the performance year, taking into account external factors such as the economic environment, competition and government measures, and how well the Managing Board has responded to them.

The Chairman's bonus and CFO's bonus – and as of 2004 the COO's bonus – are based solely on corporate performance. In the case of the other Managing Board members responsible for an SBU, however, 50% of their annual performance bonus is based on that SBU's performance. The Nomination & Compensation Committee does not disclose individual performance targets for Managing Board members.

Performance which meets the target will usually result in bonuses in the range of 60% to 75% of base pay. The normal maximum level of the Managing Board performance bonus has been set at 100% of base salary. However, in the event of truly superior performance (at corporate, SBU or individual level), the Supervisory Board has mandated the Nomination & Compensation Committee to propose annual bonuses of up to 125% of base salary.

This policy will continue during 2004, although the relative weight of the corporate versus SBU specific performance will change for Managing Board members responsible for an SBU from 50:50 to 75% for group performance and 25% for SBU performance.

The bonuses for 2002, which were paid in March 2003 and ranged from 72.5% to 80% of 2002 base salary, are set out in the Managing Board and Supervisory Board section of the Financial statements on page 144. The 2002 bonus levels recognised that the group's 2002 targets were met – and in some instances exceeded – despite the difficult business climate. Because performance in 2003 exceeded the targets set by the Supervisory Board, the corresponding bonuses payable in 2004 are higher than those paid a year earlier, as set out in the Financial statements on page 144.

• *Annual share option* grants are an integral part of Managing Board compensation. Their face value ranges between two and two and a half times base salary. The number of options granted to Managing Board members in 2003 was 95,000 (133,000 for the Chairman). The number of options to be granted in 2004 will be lower, reflecting the increase in underlying value.

Options cannot be exercised until three years after the date of grant. Defined Group performance conditions need to be met before options can be exercised. The conditions for the 2002 and 2003 series, both of which must be satisfied, are: EP must have grown in real terms over the three financial years from that in which the share options were granted; and RoE in accordance with Dutch Generally Accepted Accounting Principles (GAAP) must be at least 12.5% in the financial year preceding that in which the options could be first exercised. If both these criteria are not met in the third year after options have been granted, the tests may be applied in up to three subsequent years. If the corporate performance criteria are not met at all within six years from the date of grant, the options will lapse. The Supervisory Board decided, based on the Nomination & Compensation Committee's proposal, to amend the performance conditions from 2004 onwards to abandon re-testing of the performance criteria and to apply a single performance criterion of 15% RoE in accordance with International Financial Reporting Standards (IFRS, formerly known as International Accounting Standards) at the end of the three-year performance period. This proposal will be put forward for approval by the General Meeting of Shareholders.

• *A Performance Share Plan* is the fourth element. This is uniquely geared to the achievement of ambitious total return to shareholders (TRS) goals. The plan operates over successive four-year periods with a new performance period starting every year. At the beginning of each period, Managing Board members receive a conditional award of shares and, subject to TRS performance, some, all or none of these shares will be awarded at the end of the period – assuming that the individual is in service at that time or is deemed to be a good leaver. The number of shares awarded will normally be in the order of one and a half times Managing Board base salary.

In 2003 Managing Board members received a conditional award of 70,000 ABN AMRO shares and the Chairman an award of 98,000 shares. These awards are related to base salary and are the same as in 2001 and 2002. The value of the conditional grant exceeded the norm value during these three years because it included a consideration for the major business transformation challenges faced by the Managing Board. With this transformation behind us, the 2004 conditional award will reflect the norm value.

The 2003 share awards will vest following the end of a four-year performance cycle (2003 up to and including 2006) by reference to, and dependent upon, ABN AMRO's TRS compared and ranked with that of each of the other companies in the peer group. The number of shares awarded at the end of the cycle under the terms of the standard conditional award will be determined by the bank's TRS ranking, as shown below:

Ranking in the peer group	Final award in % of initial award
1	150%
2	130%
3	120%
4	110%
5	100%
6	85%
7	70%
8	55%
9	40%
10	25%
11 or below	0%

The fundamental principle underlying this special reward programme is that, although awards may potentially be substantial, they will only materialise if the bank meets very demanding targets. If it does not, there will be no awards. To put the plan's performance conditions into context, the bank's relative TRS ranked in the top five only once in the ten years before the adoption of the plan in 2001. Its average rank was eight during the same period.

Contacts with Dutch Central Works Council

A covenant was concluded with the Dutch Central Works Council (CWC) following the decision to exempt ABN AMRO Holding N.V. from the Large Company Regime. Under the covenant, the CWC will be consulted on Supervisory Board vacancies and the curricula vitae of candidates but it has relinquished its formal right to make binding nominations for the appointment of Supervisory Board members. It was agreed at the same time that the CWC would continue, in compliance with the Dutch Works Councils Act (WOR), to restrict itself to the bank's activities in the Netherlands. Three members of the Supervisory Board, Maarten van Veen, Wim Dik and Louise Groenman are responsible for Dutch affairs in relations with the CWC. The Chairman of the Supervisory Board will continue to have regular contacts with representatives of the CWC on the composition of the Supervisory Board and the nomination of new members.

Members of our Board attended five meetings of the CWC by rotation in 2003. The dialogue was constructive and useful.

Amsterdam, 12 March 2004

Supervisory Board

Corporate governance

ABN AMRO views corporate governance as the way it conducts relations between the Supervisory Board, the Managing Board and its shareholders. For ABN AMRO, good corporate governance is critical to our strategic goal of creating sustainable long-term value for all our stakeholders – shareholders, clients, employees and society at large. To achieve good corporate governance, the company is organised in a way which promotes entrepreneurship by the Managing Board and effective supervision by the Supervisory Board on behalf of all stakeholders. Integrity and transparency are key elements of ABN AMRO's system of corporate governance.

Corporate Governance Code in the Netherlands

Corporate governance was an important subject of debate in the Netherlands in 2003. The Tabaksblat Committee published its Dutch corporate governance code on 9 December 2003. ABN AMRO believes that a corporate governance code which meets high international standards will significantly boost confidence in Dutch listed companies and will benefit the business climate in the Netherlands. Given the international environment in which we operate, strict Dutch corporate governance standards and the highest possible level of convergence of those standards with internationally accepted standards are also to ABN AMRO's advantage.

The Tabaksblat Code took effect from the financial year starting on or after 1 January 2004. This means that the first official report on a company's corporate governance structure and appliance of the Code will have to be in the Annual Report for 2004. However, given the importance ABN AMRO places on a transparent governance structure, we decided that instead of waiting until 2005 we would explain our application of the Tabaksblat Code in a special corporate governance supplement to this Annual Report. We trust that by giving our shareholders and other stakeholders a full description of our governance structure, their confidence in our company will be further enhanced.

Corporate governance in the US

ABN AMRO is a US Securities and Exchange Commission (SEC) registered company with a listing on the New York Stock Exchange. We are therefore subject to US securities laws, including the Sarbanes-Oxley Act. The integrity of employees, management and auditors is at the heart of the Sarbanes-Oxley Act. The Act requires listed companies to have an audit committee composed of independent directors. It also promotes auditor independence by prohibiting auditors from providing certain non-audit services whilst conducting audits. ABN AMRO's existing oversight and corporate governance practices in all respects fully honour the spirit and requirements of the Sarbanes-Oxley Act. ABN AMRO has long had an Audit Committee, which qualifies as independent, and intends to maintain its independence.

In response to the Sarbanes-Oxley Act, ABN AMRO has instituted a Disclosure Committee which formalises the tasks and disciplines already in place for ensuring the accuracy and completeness of information disclosed to the market. The members of the Disclosure Committee include the Principal Accounting Officer (Chairman), the Head of Group Legal & Compliance, the Head of Investor Relations, the Head of Group Audit, the Head of Group Risk Management Reporting and, as needed, persons from other parts of the company.

Integrity is a stated core value within ABN AMRO and malpractice is taken extremely seriously. The bank has adopted an employee whistle blowing policy designed to foster a culture of openness in which staff can raise concerns about possible malpractice. The policy affirms ABN AMRO's intention of accommodating whistle blowers and ensuring that employees are provided with clear and accessible channels for reporting possible malpractice. It will reinforce ABN AMRO's risk management structure by deterring wrongdoing and improving accountability, and by increasing the chances of becoming aware of, and dealing with, employee concerns at an early stage.

Shareholders' role in governance

ABN AMRO Holding N.V. ('the Holding') and ABN AMRO Bank N.V. ('the Bank') are both public companies with limited liability incorporated under the laws of the Netherlands.

ABN AMRO takes the view that it is essential to have a corporate governance structure which is transparent and in accordance with international standards. It was accordingly proposed to the General Meeting of Shareholders on 29 April 2003 that the Articles of Association be amended to enable the Holding to leave the Large Company Regime, as set out in sections 152 to 164 inclusive of Book 2 of the Dutch Civil Code. The General Meeting of Shareholders agreed to the proposal.

The essence of this change is that the authority to appoint the members of the Supervisory Board and the Managing Board has moved from the Supervisory Board to the shareholders. The members of the Managing Board of the Holding are appointed by the shareholders at a general meeting of shareholders subject to a binding nomination by the Supervisory Board. Departure from the binding nomination requires a specified voting majority of the shareholders. Shareholders also appoint members of the Supervisory Board but the nominations for the Supervisory Board put to the General Meeting of Shareholders will not be binding. The Bank, a sub-holding of the Holding, is still obliged by law to apply the Large Company Regime. However, a covenant between the Holding, the Dutch Central Works Council and the Bank ensures that the Supervisory Boards of the Holding and the Bank have the same membership and the Managing Boards of the Holding and the Bank have the same membership.

In line with international developments which are strengthening shareholder influence, the outstanding priority share was converted into ordinary shares. The class of priority shares was also withdrawn and the Stichting Prioriteit ABN AMRO Holding, the foundation that held the one outstanding priority share, was dissolved. The priority share awarded the owner special rights, such as the right to determine the size of the Supervisory and Managing Boards and to approve amendments of the Articles of Association of the Holding. We feel that in a modern system of corporate governance there is no need for this type of share. The right to determine the size of the Supervisory and Managing Boards now lies with the Supervisory Board, whereas the right to amend the Holding's Articles of Association lies with the shareholders, subject to a proposal by the Managing Board approved by the Supervisory Board.

A Bill with proposed amendments to Book 2 of the Dutch Civil Code is before the Dutch Parliament. Amongst other things, this Bill will give shareholders broader powers. In anticipation of the adoption of this Bill, the Holding's Articles of Association were amended to incorporate the right of shareholders representing at least 1% of the economic value of the share capital to request inclusion of additional items on the agenda of the shareholders' meeting. If the Bill is adopted, shareholders' influence will increase further. For instance, the shareholders of the Holding and the Bank would then be required to approve important decisions which change the identity and character of the company and to approve the remuneration policy of the Managing Board. The Bill is expected to be adopted by the Dutch Parliament in 2004.

Supervisory Board

Candidates recommended for appointment or reappointment to the Supervisory Board should meet the criteria of the profile published on pages 170-171 of this Annual Report. Strict criteria are in force to ensure the Supervisory Board's independence. For example, individuals employed by the Holding or an affiliated company cannot be appointed as members of the Holding's Supervisory Board. Supervisory Board members may not represent particular interests. If an interest of a member of the Supervisory Board conflicts with that of the company, the Chairman of the Supervisory Board should be notified and he will ensure compliance with the applicable procedures. The members of the Supervisory Board of ABN AMRO receive a fixed remuneration. Members who are not resident in the Netherlands receive an attendance fee for each meeting they attend.

With effect from 29 April 2003, the Supervisory Board of ABN AMRO had 12 members – and as of October 2003, has 11 members – who are appointed for a term of four years. They may be re-appointed but can only serve for a maximum of 12 years. The board appoints a Chairman and a Vice Chairman from among its members. The Supervisory Board also appoints the Audit Committee of at least four members and the Nomination & Compensation Committee of at least three members from among its members. The Audit Committee members were appointed for four years as of the General Meeting of Shareholders on 29 April 2003. As of 1 January 2004, the chairman of the Supervisory Board is no longer chairman nor a member of the Audit Committee.

A memorandum on the governance of the Supervisory Board of the Holding and its sub-committees, which is under constant review, and the detailed curricula vitae of its members are available at the company's offices and on the company's website. The curricula vitae of new members of the Supervisory Board are also included in the Holding's Annual Report published in the year of their appointment.

The Audit Committee reviews and advises on the quarterly and annual results. It regularly reviews the overall risk profile, the quality of the loan portfolio and the bank's large exposures. Risk profile here means all types of risk: counterparty and market risk; operational, liquidity and solvency risk; and last but not least, reputational risk. Auditor independence is a particularly prominent issue for the Committee, which formally evaluates the independence of the external auditor, measures for controlling the quality of the external auditor's work, and the annual audit budget. The Audit Committee adopted a policy on auditor independence in 2002. This policy, which is available at the company's offices or on the company's website, governs the appointment, compensation and oversight of registered (external) audit firms.

We have consequently tightened up our procurement rules for contracts with independent audit firms. The external audit firm will be appointed or reappointed by the General Meeting of Shareholders for five years on the advice of the Supervisory Board. The Audit Committee of the Supervisory Board must approve engagements with independent audit firms and fees for audit, audit-related and non-audit services. The bank's policy is that external auditors conducting the audit part of the financial statements are not permitted to perform certain other services for the bank.

The tasks and responsibilities of the Nomination & Compensation Committee include preparing the selection and nomination of members of the Supervisory and Managing Boards, preparing compensation policies for the same two bodies for approval by the Supervisory Board, and determining the actual compensation of Managing Board members, for ratification by the Supervisory Board.

Managing Board

The members of the Managing Board collectively manage the company and are responsible for its performance. They are collectively and individually accountable for all the Managing Board's decisions. The Chairman of the Managing Board leads the Board in its management of the company to achieve its performance goals and ambitions. The Chairman is the main point of liaison with the Supervisory Board. A Managing Board member has either a corporate responsibility (Chairman, CFO, COO) or a value centre (SBU, BU) responsibility.

The management of the SBUs and the Corporate Centre is delegated to Executive Committees. The Executive Committees consist of one or more Managing Board members and one or more SEVPs and Executive Vice Presidents (EVPs).
Further details of the responsibilities and activities of the Supervisory Board and the Managing Board are in the Supervisory Board's report.

Corporate Values and sustainability

Processes, systems, rules and procedures designed to promote good corporate governance only tell part of the story.
A strong moral code followed by people committed to individual and corporate integrity is the foundation of good corporate governance. ABN AMRO's Corporate Values and Business Principles set out the ethical framework and guide everything we do as an organisation and as individuals. They also underpin our policy on sustainability. This is discussed under Sustainable development, starting on page 28.

Building a high performance culture

Group strategy

ABN AMRO is a multi-regional bank with European roots and a clear focus on consumer and commercial banking, strongly supported by an international wholesale business. Our business mix gives us a competitive edge in our chosen markets and client segments.

We aim to maximise value for our clients, while maximising value for our shareholders as the ultimate proof of, and condition for, success.

Starting from this base, our strategy for growing and strengthening the business is built on five key elements:

1. Creating value for our clients by offering high quality financial solutions which best meet their current needs and long-term goals.
2. Focusing on:
   - consumer and commercial clients in our home markets of the Netherlands, the US Midwest, Brazil and in selected growth markets around the world
   - selected wholesale clients with an emphasis on Europe, and financial institutions
   - private clients
3. Leveraging our advantages in products and people to benefit all our clients
4. Sharing expertise and operational excellence across the group
5. Creating 'fuel for growth' by allocating capital and talent according to the principles of MfV, our value-based management model.

We aim for sustainable growth which will benefit all our stakeholders: our clients, our shareholders, our employees, and society at large. Sustainability is discussed under Sustainable development, starting on page 28. Our ability to build sustainable relationships, both internally and externally, is crucially important in enabling us to achieve sustainable growth. A fundamental strength in building sustainable relationships is bringing global expertise and resources to bear through the combination of our local presence in many markets and being a large, international corporation.

Serving clients

Clients are the prime beneficiaries of our relationship approach. We serve them through our three SBUs:

- C&CC: individual and corporate clients requiring day-to-day banking. The majority of such clients are in the Netherlands, the US Midwest and Brazil, and in for example Greater China and India where the Business Unit New Growth Markets (BU NGM) operates
- WCS: major international corporations, with an emphasis on Europe, and financial institutions
- Private Clients & Asset Management (PC&AM): services for high net-worth individuals and institutional investors.

Our growth strategy is to build on ABN AMRO's strong positions in these core client areas, with an emphasis on asset gathering. Several events in 2003 illustrate the strategy. In C&CC, the acquisition of Banco Sudameris significantly reinforced our position in Brazil, especially in the important São Paulo region. In WCS, we sold our US prime and professional brokerage businesses, freeing up resources for incremental investments in areas of comparative strength, including for example our investment grade credit and asset securitisation capabilities within our Financial Markets business. In the Private Clients business, we have integrated Delbrück & Co and planned to merge it in early 2004 with Bethmann Maffei, another German private bank the purchase of which we announced in December 2003, making an important addition to our European private banking network.

These are relatively mature markets. We are also constantly seeking out new sources of growth. The BU NGM in C&CC is active in a number of emerging markets, including Greater China and India, where attractive opportunities are opening up. In Europe, we are well positioned to capitalise on developments in the Italian banking market through strategic investments in Banca Antonveneta and Capitalia.

Within C&CC, a clear example of our increasingly client-led, distribution-focused approach is the successful bancassurance joint venture in the Netherlands with Delta Lloyd, which combines the distribution capabilities of ABN AMRO's Dutch network with the insurance expertise of Delta Lloyd. The expansion and growing popularity of ABN AMRO's internet banking services, 24-hour call centres and network of bankshops and advisory centres underpin our multi-channel client approach in the Netherlands and similar multi-channel approaches in the US and Brazil. US mortgage clients are similarly served through our retail branch network, relationships with a nationwide broker network and our mortgage.com internet platform.

Elsewhere in the organisation, the restructuring of WCS is beginning to bear fruit. Forming the new Financial Markets and Working Capital BUs and refocusing on core client relationships led directly to the improved financial performance seen in 2003.

Rebranding for one bank

Our practice in most markets where we acquired brands was to keep them unchanged. The logos represented continuity with the brands' own traditions, and in many ways these brands stood apart from the ABN AMRO group.

Such brands are valuable assets. They are names with a rich history in their markets. But separate identities also restricted the extent to which the group could invoke trust among all its clients in its full offering. They also limited the potential for cooperation and realising cost synergies between different parts of the group.

We therefore decided early in 2003 to rebrand the relationship banking businesses which did not have ABN AMRO as their primary branding. While retaining the brand names, their logos were changed to the ABN AMRO shield, followed by the name of the subsidiary and an ABN AMRO endorsement. LaSalle Bank and Standard Federal Bank of the US, Alfred Berg of Sweden, Hoare Govett of the United Kingdom (UK), and Delbrück & Co of Germany participated in the programme. Banque NSMD and Banque OBC, both of France, followed in early 2004.

In the fourth quarter of 2003 we launched an internal and external communications campaign, including global TV advertising, to emphasise the unity of the group. Clients and staff received the rebranding very positively. The benefits of the rebranding are already evident in a greater sense of shared identity, more intra-group synergies and improved client understanding of ABN AMRO.

Capital adequacy

We aim to maintain ABN AMRO's AA rating and, to do this, are improving the relation between our tier 1 capital and our RWA. The minimum tier 1 ratio required is 4%. ABN AMRO's tier 1 ratio went up from 7.03% at the end of 2001 to 8.15% at the end of 2003. Over the same period we also raised our so-called core tier 1 ratio, the ratio without preferred shares, to 5.9%. Our core tier 1 ratio goal is a minimum of 6.0% and we expect to reach it during 2004.

Creating one bank

Generating value for clients and shareholders will increasingly depend on sharing expertise and operational excellence across the group. The realignment of responsibilities on the Managing Board and the creation of the position of COO are designed to help maximise group revenue and cost efficiency synergies. An important mechanism will be the newly established GSS, for which the COO is responsible. In addition to seeking cost savings through further consolidation and standardisation, GSS will also exploit new market solutions for support services to provide clients most efficiently with even better products and services. The global rebranding campaign, adding the green and yellow ABN AMRO shield next to strong local brand names, underpins our strategic aim of making full use of our local franchises, skills and expertise across the group.

Employees are critical to sharing knowledge and achieving synergies. We aspire to make full use of our employees' potential by building a culture in which people are stimulated and rewarded for sharing their knowledge. In 2003 we launched Horizon, a collective name for a broad range of knowledge sharing initiatives across ABN AMRO. The premise is that by recognising and developing new collaboration opportunities within and between our businesses which, for example, stimulate productivity and improve the time a product or service takes to come to market, we can improve efficiency and serve customers better.

Looking ahead, ABN AMRO is strategically positioning itself to capitalise on the draft Basel II capital adequacy regulations, at group and SBU levels, by using an Advanced Internal Ratings Based (AIRB) basis for credit risk and Advanced Measurement Approaches basis (AMA) for operational risk. This is discussed further under Basel framework starting on page 66.

Managing for Value

We have now implemented Managing for Value (MfV) throughout the organisation. MfV is our instrument for allocating resources to where they earn the best long-term EP (net profit after tax less the risk-adjusted cost of capital) and measuring the results. We will continue to build on the successes MfV has brought us, allowing us to create further fuel for growth by optimally allocating key resources (capital and talent) to the businesses which generate the highest economic value (EV).

Sustainable development

Sustainable development is fundamental to ABN AMRO. In 2003 we defined what sustainable development means to us and linked it with the concept of Triple P – People, Planet & Profit – and our Corporate Values and Business Principles. For us sustainable development means: 'To live our values and business principles to meet the needs of the organisation and our stakeholders today, while protecting, sustaining and enhancing human, natural and financial capital needed in the future'.

Our reputation is central. As a bank, we exist by virtue of stakeholders' trust. It is our licence to operate. In order to earn and maintain that trust we should – besides providing excellent products and service – be a good corporate citizen and responsible organisation which is accountable for its actions. Embedding sustainable development makes us a stronger and more responsive bank which is better able to create value.

We are therefore committed continuously to improve the integration of sustainable development into every aspect of our business. Resource allocation and performance management processes will reinforce the process. Our aim as a major financial institution is to play a proactive and leading role in contributing to sustainable development where we have influence. We are accountable for, and open about, our sustainability performance.

A full account of our sustainability activities will be provided in our first separate sustainability report which will be published in the second half of 2004. The report will be independently audited, although it may not be possible at this stage to audit all the information in it. Our commitment is that the report will be fully audited in the future as soon as circumstances permit.

Our Corporate Values and Business Principles

Corporate Values

- Integrity
- Respect
- Teamwork
- Professionalism.

Business Principles

For our employees
- We are the heart of our organisation
- We pursue excellence

For our shareholders
- We aim to maximise long-term shareholder value
- We manage risk prudently and professionally

For our clients
- We strive to provide excellent service
- We build our business on confidentiality

With our business partners
- We assess business partners by their own standards

In society
- We are a responsible institution and a good corporate citizen
- We respect human rights and the environment

Compliance
- We are accountable for our actions and open about them.

Implementing sustainability

For ABN AMRO, sustainable development poses several challenges:

- Integrating sustainability into our organisation and business processes
- Engaging proactively with stakeholders on sustainability issues
- Achieving and preserving transparency
- Finding and assessing new business opportunities.

We are defining sustainability targets and action plans for each SBU and BU which will be incorporated into their performance contracts. A sustainability team of around 30 people from our home markets, WCS, PC&AM, NGM and Corporate Centre has met several times. It discussed initiatives for generating sustainability synergies across the group and enhancing our performance in this area.

Sustainability highlights in 2003 included:

- We adopted the 'Equator Principles' in June. ABN AMRO is proud to have been one of the leading banks in the development and launch of these sector guidelines for managing social and environmental issues related to project finance activities. To date, 19 project-financing banks have adopted the principles
- After unveiling its policy on financing forestry projects in 2002, the bank introduced policies for financing other sensitive sectors such as mining and oil and gas. Stakeholders – particularly clients and a large number of social and environmental Non-Governmental Organisations – were involved in developing these policies
- ABN AMRO was included in sustainability indexes such as the Dow Jones Sustainability World Index and the Dow Jones Sustainability Stoxx Index, the FTSE4Good Europe 50 and FTSE4Good World 100 Indices. This testifies to our being one of the leaders in embracing sustainability and means that we are automatically on the list of every investor interested in sustainable investing
- We helped to found ShoreCap International with partners such as the International Finance Corporation (IFC, the member of the World Bank Group which invests in the private sector), ShoreBank and some European bilateral development institutions. ShoreCap will provide small and microbusiness loans in developing and transitional economies. It follows Banco ABN AMRO Real starting to offer micro finance in 2002. We also launched microfinance activities in India in 2003.

You can find more information on Sustainable Development at ABN AMRO and our Business Principles at www.abnamro.com.

Human resources

Employees who are highly motivated and well trained will be more productive and provide superior service to clients, leading to improved returns for shareholders. ABN AMRO's strategy therefore depends on our ability to recruit, develop and retain committed, capable and competent leaders and staff. This we can best do by combining commitment to staff with a high performance culture. Sharing knowledge and working as a team, drawing on the many strengths of a diverse organisation, is fundamental to combining commitment to staff and high performance and helps to form one bank where the whole is greater than the sum of the parts.

From intent to impact

We need to understand the implications of our strategies and business goals for our staff because the bank's commitment to staff and promoting high performance are mutually dependent. In 2003 the bank changed its business planning to help achieve this. Each BU now develops and presents to the Managing Board a formal People and Organisation Capability Plan, which is intended to integrate commitment to staff and high performance. As part of the plans, key performance indicators are related to the needs and capacities of staff.

The ensuing dialogue will help businesses to identify what they have to do to develop their staff to meet the performance goals of each business. This could be any combination of skills, knowledge, behaviour and values. The process has already proved its worth in the normal business review cycle – the annual cycle of setting performance criteria for BUs and measuring performance against them – and will be a feature of that cycle from 2004.

Building a high performance culture

The main characteristics of high performing organisations are trust, discipline, support and stretch – encouraging individuals and the organisation to raise their game. When brought together, these characteristics attract the best people. In 2003 we put more emphasis on improving the quality of our performance management, starting at the Top Executive level and working steadily across the rest of the bank.

We have strengthened the integration of our business and individual performance management processes for the important reason that performance management is about corporate results as much as individual development. In 2004 we aim to take this further down into the organisation, ensuring that each individual will have objectives which are aligned with business goals.

Equipping the leaders of today

We started in 2001 to pay more attention to the long-term development of our Top Executives, recognising their crucial role in instilling a people-oriented performance culture throughout the bank. The idea was to support them in their new challenges and to prepare them for business success.

The early steps were to diagnose the relative strengths and development needs of each Top Executive. This covered their repertoire of leadership styles and the resulting atmosphere in which their staff worked. We have also focused on how the Top Executives demonstrate the behaviour that makes for excellence in the bank. In 2003, close to 200 of the Top Executives received feedback on their style and the atmosphere they created for their staff.

A lot of our Top Executives have taken up the offer of working with an external executive coach to further their development. Many others have also shown an interest in this programme. Broadening the repertoire of Top Executives' leadership styles, particularly the use of a coaching style, improves the atmosphere which, in turn, correlates positively with the performance of a team. In 2004 we intend to repeat our 360-degree survey for the same group. This survey incorporates the views of the direct manager of the Top Executive, his or her immediate colleagues and direct reports, as well as a self-assessment. The focus is on leadership behaviour.

Developing future leaders

In 2003 ABN AMRO began to broaden the Top Executive development initiative to introduce this analysis of leadership style and the option of executive coaching to selected senior staff reporting to the Top Executives. The bank also ran a series of workshops as part of the Velocity programme, which aims to accelerate the creation of a high performance culture and extends leadership development to a broader layer of senior managers and their teams. The workshops concentrated on key themes such as Values, Clients and Leadership. They were attended by more than 1,300 senior staff and those reporting directly to them, making more than 130 management teams.

A total of 13 workshops were organised in the bank's main locations. Each workshop was facilitated by an SEVP. The role of the Top Executives was to coach their own teams and to help them develop their coaching skills. Encouraged by the workshops, many participants have asked for follow up events with their own teams. These will continue well into 2004, when we will also work on customising the Top Executive leadership profile for use with senior managers who report to the Top Executives.

Inspiring our workforce

Early in 2003 the bank decided to measure its employees' engagement more systematically and regularly. A total of 23,000 staff in five major BUs were asked to respond. The first results were presented to the respective management teams. Equipped with an understanding of the level of their staff's engagement and the reasons for it, each management team has formulated plans to improve on the results. All BUs will participate in 2004 and we will repeat the surveys regularly.

Harnessing the diversity of our workforce is another major challenge, and we made progress in 2003. Working with the Young Bankers Association, we identified opportunities for more international exposure of talented young bankers. Similarly, a network of senior female bankers helped us to pinpoint some of the issues they face in developing their careers in the bank. We will start to implement the recommendations arising from this research and examine other areas of diversity in 2004.

A separate major piece of research involving a sample of some 15,000 staff worldwide in 2003 attempted to understand what our employees saw as the chief characteristics of ABN AMRO as an employer. This important research will help us in 2004 further to increase our attractiveness as an employer. It will assist in defining some of the best, shared attributes while fostering and emphasising other attributes we need to create a high performance culture in which the bank develops and encourages staff.

Core businesses

Consumer & Commercial Clients

Key figures C&CC

(in millions of euros)	2003	2002	2001
Net interest revenue	**6,832**	6,853	6,812
Net commissions	**1,532**	1,658	1,852
Results from financial transactions	**241**	226	272
Other revenue	**1,933**	1,645	1,267
Total revenue	**10,538**	10,382	10,203
Operating expenses	**6,470**	6,710	7,052
Operating result	**4,068**	3,672	3,151
Provisioning for loan losses	**817**	881	802
Value adjustments to financial fixed assets	**3**	8	2
Operating profit before taxes	**3,248**	2,783	2,347
Taxes	**1,081**	744	584
Minority interests	**27**	21	99
Net profit	**2,140**	2,018	1,664
Total assets	**222,762**	229,181	242,796
Risk-weighted assets	**142,359**	143,449	158,141
Full-time equivalent staff	**77,799**	71,340	73,736
Number of branches and offices	**3,331**	3,078	3,180

Consumer & Commercial Clients (C&CC) serves the bank's approximately 16 million consumer clients and small to medium-size enterprises (SME) in the Netherlands, the US Midwest and Brazil. These are our home markets where we have a leading franchise and are native by virtue of operating with local staff through well-known local names. Our consumer and commercial banking activities in new growth markets in Asia and in Europe are part of C&CC, as are Bouwfonds, ABN AMRO's property development and financing subsidiary, and our strategic participations in Capitalia and Banca Antonveneta in Italy.

C&CC's prominence in a range of markets gives it considerable scope for economies of scale and the advantage of exploiting synergies between businesses. We are pursuing these opportunities through a number of knowledge sharing initiatives.

Results in 2003

C&CC's performance was robust in 2003. Net profit increased by 6.0% to EUR 2,140 million. The operating result increased by EUR 396 million or 10.8% to EUR 4,068 million. This contribution was 65.5% of the group's operating results. The most noticeable increases were in the Netherlands and at Bouwfonds. Operating profit before tax increased by 16.7% to EUR 3,248 million due to lower provisions.

Total revenue rose by EUR 156 million or 1.5% to EUR 10,538 million. Operating expenses fell by EUR 240 million or 3.6% to EUR 6,470 million. Tax in 2003 increased by EUR 337 million to EUR 1,081 million, primarily as a result of higher operating profit before taxes but also because 2002's results included a tax benefit in Brazil.

Key figures BU Netherlands

(in millions of euros)

	2003	2002	2001
Net interest revenue	**2,604**	2,323	2,102
Net commissions	**579**	650	697
Results from financial transactions	**24**	26	56
Other revenue	**137**	109	134
Total revenue	**3,344**	3,108	2,989
Operating expenses	**2,519**	2,554	2,596
Operating result	**825**	554	393
Provisioning for loan losses	**246**	137	108
Value adjustments to financial fixed assets	**2**	8	1
Operating profit before taxes	**577**	409	284
Taxes	**159**	135	89
Minority interests	**3**	1	0
Net profit	**415**	273	195
Total assets	**84,150**	93,146	85,345
Risk-weighted assets	**52,634**	54,223	54,307
Full-time equivalent staff	**21,417**	23,156	26,977
Number of branches and offices	**581**	591	701

The Netherlands

The BU Netherlands (BU NL) has almost 4.6 million consumer clients, over 300,000 SME clients and around 3,000 corporate clients. This makes ABN AMRO one of the leading banks in the Netherlands. The bank reaches its clients through a network of 80 advisory branches, 5 dedicated corporate client units, 580 bankshops, and 400 stand-alone ATMs as well as through the integrated call centres and internet channels.

Strategy, products and services

The BU NL's key competitive advantage lies with up-scale consumers and mid-size and corporate enterprises. These groups are supplemented by strong positions in mass consumer and small companies markets which are an essential part of our strategy since they support the brand, create economies of scale, and are sources of growth in the main target client groups.

BU NL introduced a new governance model with three value centres corresponding to client groups: Retail, Advice and Corporate Clients. The aim has been to make customer orientation an integral part of our governance and to strengthen the relationships with our clients. Our emphasis on helping clients to achieve their goals is summed up in our new slogan: 'It starts with ambition'.

BU NL offers clients the full range of banking, investment and insurance products. In 2003, we established a joint venture with Delta Lloyd so our clients could benefit from the insurance expertise of Delta Lloyd. We are also looking at opportunities to streamline the organisation, improve efficiency and ensure the focus on our core competencies: servicing clients and distributing financial services which help clients to realise their ambitions.

Providing better and faster acquisition finance

Corporate Clients in BU NL and WCS set up a joint Finance Team after initial cooperation in acquisition finance proved successful. The new team structures mezzanine finance for buyouts and acquisitions. Many of these deals originate from the bank's contacts with venture capital houses.

Clients of Corporate Clients can now benefit from the expertise developed within the wholesale bank for the upper end of the market. As a result, major acquisitions are now within clients' financial reach.

The cooperation within the bank means that venture capital houses can arrange both the financing of their equity participations and the investees' banking business through the same bank. As for the bank, the synergy between Corporate Clients and WCS has stimulated the rapid emergence of a relatively new market segment in which ABN AMRO is one of the leading participants.

The multi-channel service concept launched in 2001 is now up and running. It offers ABN AMRO clients in the Netherlands a full range of financial services, 24 hours a day, 7 days a week. The client's needs can be met via internet, call centres or branches. The number of clients using our Internet Banking service passed one million in March 2003. The BU NL also launched Mobile Banking, allowing clients to access account information and make transactions over their mobile phones.

Client satisfaction surveys clearly show that our clients are by now accustomed to the new service concept and increasingly appreciate it.

Results in 2003

BU NL's net profit increased by EUR 142 million or 52% to EUR 415 million due to improved revenue, mainly from two incidental items. We also benefited from the efficiency drives which arose from our No Detours programme, initiated in 2001.

Total revenue was EUR 3,344 million, up by EUR 236 million or 7.6%. This increase was largely attributable to the EUR 111 million gain on the sale of our insurance activities to the joint venture with Delta Lloyd and the one-off release of the EUR 120 million interest reserve related to the termination of the securitisation vehicle. Commissions were 10.9% or EUR 71 million lower at EUR 579 million. The main reason was lower commissions on insurance activities caused by the sale of our insurance activities and a decrease of commissions on payments, mainly as a result of EU regulations. Commissions on securities remained stable.

Operating expenses in 2003 were down EUR 35 million or 1.4% at EUR 2,519 million primarily as a result of lower staff costs and despite higher pension costs. The No Detours programme resulted in a structural cost decline of about EUR 400 million per annum. It also led to a new approach to client service which has already given rise to improved client satisfaction.

Provisions rose to EUR 246 million, 79.6% above the 2002 level of EUR 137 million. The rise in provisions reflected the recessionary economic climate in the Netherlands and its impact on programme lending and the SME loan book.

The number of FTEs fell by 1,739. The efficiency ratio was significantly better at 75.3% compared with 82.2% in the previous year.

Initiatives in 2004

The emphasis is on strengthening the relationship with our clients. We are confident of achieving this by upgrading our propositions to our target client groups and therefore encouraging them to use ABN AMRO as their primary bank more often.

Establishing a high performance culture among our employees will bolster these initiatives. Rising clients satisfaction is likely to increase the opportunities for cross-selling in 2004.

North America

The Business Unit North America (BU NA) operates from its base in the US Midwest through two brands: LaSalle Bank in Illinois and Standard Federal Bank in Michigan.

This combination serves 4 million clients through 406 branches in the Midwest and additional commercial offices throughout the remainder of the US. Our combined US consumer and commercial banking operations are the second largest in the US Midwest. We are also the thirteenth largest in the US by assets and the fifteenth largest in terms of deposit base. This makes ABN AMRO the second largest foreign banking group in the US.

Strategy, products and services

BU NA serves middle market and small commercial customers as well as retail customers in the US Midwest. We offer customers four main services: commercial banking, retail banking, mortgage banking and capital markets services.

Our commercial banking business serves middle market and small business clients from Chicago and Michigan as well as regional offices in 13 other cities, predominantly in the US Midwest. We offer a full line of services including lending, cash management, foreign exchange, treasury and advisory services. In addition, we provide our clients with commercial real estate lending, asset-based lending and leasing services on a national scale. US clients also benefit from access to the full range of products and services offered through the global network of ABN AMRO, such as trade services, foreign exchange and international payments.

The retail banking business serves consumer clients and small businesses through the retail branch network in our two US regional markets. We provide the full range of retail banking services, including savings and investments, home mortgages and consumer lending. Through our Wealth Management Group we also serve high-net worth individuals. Based on deposits, we rank number two in Illinois and number one in Michigan.

ABN AMRO Mortgage Group, our mortgage subsidiary, has given us a leading position in the US mortgage banking business. In 2003, we originated USD 123 billion of home mortgages, exceeding our previous record of USD 119 billion. ABN AMRO Mortgage Group's mortgage servicing portfolio also reached record levels in 2003, exceeding USD 200 billion.

Capital Markets & Trust's activities include broker/dealer services, derivative sales and management of the bank's investment portfolio. We also act as trustee for collateralised debt obligations, asset-backed securitisations and retail and commercial mortgage-backed securitisations. We are the world's second largest trustee for collateralised debt obligations. Capital Markets also develops funding vehicles such as brokered certificates of deposit and medium-term note programmes for ABN AMRO and our clients.

In 2003, LaSalle Bank and Standard Federal Bank adopted ABN AMRO's green and yellow shield. This is part of ABN AMRO's global programme to establish a common look and feel for its major brands. Consolidating the look and feel globally will result in increased recognition and efficiencies for the group,

Key figures BU North America

(in millions of euros)

	2003	2002	2001
Net interest revenue	**2,377**	2,616	2,652
Net commissions	**603**	711	815
Results from financial transactions	**152**	153	133
Other revenue	**1,373**	1,038	652
Total revenue	**4,505**	4,518	4,252
Operating expenses	**2,258**	2,307	2,378
Operating result	**2,247**	2,211	1,874
Provisioning for loan losses	**306**	477	442
Operating profit before taxes	**1,941**	1,734	1,432
Taxes	**674**	604	432
Minority interests	**1**	0	84
Net profit	**1,266**	1,130	916
Total assets	**82,997**	97,762	115,431
Risk-weighted assets	**55,263**	61,669	73,542
Full-time equivalent staff	**19,356**	18,680	18,139
Number of branches and offices	**425**	426	426

positioning us better to enter new markets. Maintaining our local brand names allows us to leverage our longstanding reputation and strong identity in our markets.

Results in 2003

Net profit rose by EUR 136 million or 12% to EUR 1,266 million. The results were even stronger in local currency terms as the US dollar depreciated by 16.7% against the euro in 2003. In local currency, virtually all businesses showed an improvement over 2002 and record mortgage origination and servicing volumes in particular – US dollar mortgage revenue grew by 53% – drove net profit up by 33.3%.

Total revenue was almost unchanged at EUR 4,505 million. Within the total, the strong mortgage banking performance pushed up other revenue, which increased by EUR 335 million or 32% to EUR 1,373 million. In local currency, other revenue was 55.5% higher. Mortgage origination volumes exceeded EUR 108 billion (USD 123 billion) and the mortgage servicing right (MSR) portfolio passed the milestone of USD 200 billion. As expected, mortgage interest rates rose in the latter half of the year, slowing origination volumes and narrowing origination margins, although performance remained good in the third and fourth quarters. Rising mortgage rates also resulted in lower MSR amortisation as rates of refinancing and resulting prepayments slowed.

Revenue from retail banking was stable in local currency. The consumer loan portfolio continued its rapid expansion driven by volume gains in home equity loans.

The result from the commercial line of business rose by 5%. Loan commitments increased by 11%, leading to increased fee income. While net interest revenue in euros decreased by EUR 239 million or

9.0% to EUR 2,377 million, in local currency it improved by 9.4%. Net interest revenue benefited from higher volumes of mortgages held for sale, the growth of the commercial loan book, and a wide spread between longer-term mortgage loan assets held for sale and the cheaper short-term funding used for these assets during the period between funding and sale.

In euros, total net commissions fell by EUR 108 million or 17,9% to EUR 603 million.

Results from financial transactions were flat at EUR 152 million. Again, the depreciation of the US dollar was countered by strong business results as revenue from financial transactions increased by 19.3% in local currency. This increase was driven by robust results in our broker dealer division. Volatility in the equity markets and historically low interest rates contributed to higher sales of fixed-income products, particularly in the collateralised mortgage obligation market. We did more hedging business with our commercial clients, which helped to drive an increase in foreign exchange revenue.

Operating expenses fell by EUR 49.0 million or 2.1% to EUR 2,258 million, but rose by 17.9% in local currency. This was primarily attributable to higher compensation, the opening of a new operations and technology centre and our rebranding initiative. The efficiency ratio was 50.1% compared with 51.1% in 2002.

Credit quality improved considerably, particularly in the commercial portfolio. Loan loss provisions fell by EUR 171 million or 35.8% to EUR 306 million and in local currency by 22.6%.

Devising European Direct Access Notes

In 2003, ABN AMRO developed the European Direct Access Notes (EuroDANs) programme in Europe, mirroring and complementing our very successful operation created by LaSalle Bank in the US. LaSalle Bank is the leading distributor of the retail Medium Term Note product in the US, and has successfully built this business over the past ten years.

Bringing together LaSalle Bank's product expertise and ABN AMRO's European presence in the wholesale and retail marketplaces has allowed us to offer EuroDANs and create a powerful global platform for the issuer. LaSalle Bank has the in-depth understanding of this market in the US along with the technology and marketing support, and ABN AMRO has an extensive distribution network in Europe. The combination means that, as of the start of 2004, we have the optimal platform for distributing EuroDANs to the European retail market on behalf of our wholesale clients.

Our European retail distribution capabilities include ABN AMRO's branches and an external dealer network, and our global wholesale client base provides numerous issuers with access to the European debt markets to diversify their funding sources.

Initiatives in 2004

The prime objective is to increase the number of client relationships and to enhance the value of each relationship. Our organisation and targets are designed to achieve this across retail, commercial and national clients. A recent realignment of the organisation has equipped our businesses well to improve their market position.

Brazil

ABN AMRO is one of the major providers of financial services in Brazil, operating under the Banco ABN AMRO Real brand as a universal bank offering commercial and retail banking products to a diverse consumer and commercial base.

ABN AMRO has consistently expanded in the country, mainly through strong organic

Key figures BU Brazil

(in millions of euros)

	2003	2002	2001
Net interest revenue	**1,304**	1,385	1,520
Net commissions	**214**	175	226
Results from financial transactions	**44**	30	44
Other revenue	**132**	146	130
Total revenue	**1,694**	1,736	1,920
Operating expenses	**1,071**	1,199	1,290
Operating result	**623**	537	630
Provisioning for loan losses	**258**	193	193
Operating profit before taxes	**365**	344	437
Taxes	**147**	(57)	39
Minority interests	**12**	10	9
Net profit	**206**	391	389
Total assets	**12,329**	8,813	13,248
Risk-weighted assets	**7,819**	5,955	8,181
Full-time equivalent staff	**28,160**	21,954	20,932
Number of branches and offices	**1,970**	1,696	1,660

growth, since the acquisition of Banco Real in 1998. The loan portfolio has increased on average by more than 20% a year. The distribution network continues to expand, growing from 1,539 in December 2000 to 1,607 branches and mini-branches in December 2003.

In 2003, ABN AMRO significantly reinforced its position in the local market by acquiring Banco Sudameris. This bank has a strong presence in the economically powerful southeast of Brazil, which accounts for more than half of the country's gross domestic product. The acquisition of Banco Sudameris, which was completed in October, made ABN AMRO the third largest Brazilian privately owned bank by deposits and the fourth by assets and loans. Additionally, the acquisition of Banco Sudameris provided ABN AMRO with a well-located network of 294 branches and access to some 700,000 clients of whom a significant number are high-net worth clients.

The integration of Banco Sudameris has proceeded well. Including Banco Sudameris, we now service approximately 8.3 million clients, in all segments, through a nationwide network of branches and mini-branches.

Strategy, products and services

Our C&CC business in Brazil focuses on being one of the most efficient and valued of the top league of large privately owned retail banks in Brazil. It provides a wide range of clients in different segments with the financial services they need to fulfil their ambitions.

ABN AMRO's strong competitive position in Brazil offers excellent potential for future growth in the consumer and commercial banking businesses. We are also a market leader in car finance through the Aymoré Financiamentos brand.

We continuously aim to raise client satisfaction because it is the cornerstone of a successful relationship, and in 2003 we were able to increase our client satisfaction ratio for the third year in a row. In order to service better the needs and expectations of our clients and improve our product offering, we segmented the client base according to its profiles and needs.

We also upgraded our channel offer, enabling clients to make secure transactions over our internet banking network, and further integrated all distribution channels. Clients can now receive the same products and services through distribution channels such as the internet, call centres and service outlets.

Although the Brazilian economic environment improved during the year – the exchange rate was less volatile and confidence in the government's commitment to the fiscal discipline grew – industrial production suffered. The expectation for 2004 is that growth will recover, accompanied by declining interest rates, lower inflation and improving demand for credit.

Results in 2003

Net profit fell by EUR 185 million or 47.3% to EUR 206 million and by 35.5% in local currency. The Brazilian real depreciated on average by 22.1% against the euro over the year. The fall in net profit occurred despite the operating result rising by EUR 86 million or 16.0% to EUR 623 million. This can be explained by two factors: higher provisioning (up 33.7% at EUR 258 million) as a consequence of the weak economy and an increase in the effective tax rate. The latter is due to the combined tax effect of the offshore US dollar book and the improved operating performance.

Total revenue was EUR 42.0 million or 2.4% lower at EUR 1,694 million, partly because net interest revenue fell by EUR 81 million or 5.8% to EUR 1,304 million. In local currency terms, total revenue was up 23.6%, supported by higher retail income.

Operating expenses were down by EUR 128 million or 10.7% to EUR 1,071 million.

In local currency, the operating result improved by 49.3%, excluding the two month contribution from Banco Sudameris. This performance was driven by the increase in total revenue in local currency and by good controls which kept the cost increase down to 12.4% despite high inflation. The increase in total revenue owed much to a 17.3% rise in net interest revenue, driven by high interest rates and volume growth. Expenses were up as a result of a new Collective Labour Agreement implemented in September. The efficiency ratio improved from 69.1% to 63.2%.

It is noteworthy that asset growth accelerated in the course of the year as short-term interest rates came down from 26% in June to 16.5% in December.

Initiatives in 2004

Our prime objective for 2004 is to complete the integration of Banco Sudameris into Banco ABN AMRO Real, creating one bank by the end of the year and expanding its loan portfolio to offset the anticipated erosion of interest rate margins.

Integration will generate the projected synergies and create a more competitive and flexible cost structure. Banco ABN AMRO Real will also continue to focus on further improving employee engagement, client satisfaction and client loyalty – which will enhance its brand.

Rest of the World

C&CC's other operations include BU NGM, Bouwfonds and an aggregation of activities


Offering first class service
and tailored products, however big
or small the business

in other countries. The latter include our activities in Italy, where we have a 9.0% stake in Capitalia and 12.7% in Banca Antonveneta, and our stakes in Kereskedelmi és Hitelbank in Hungary and Bank of Asia in Thailand.

Strategy, products and services

In Asia, where BU NGM has a rapidly growing business, our strategic emphasis is on mass affluent banking. BU NGM has almost 2.5 million clients and operations in India and Greater China (mainland China, Hong Kong and Taiwan). We have a controlling 81% interest in Bank of Asia in Thailand, and a 40% stake in Saudi Hollandi Bank in Saudi Arabia.

In Europe, BU NGM has consumer and commercial banking activities in France and Belgium. We are also developing pan-European activities in pension services and mortgage securitisation. BU NGM also includes our interest in Stater, an end-to-end service provider for the European mortgage market.

Additionally, our Belgium-based International Diamond & Jewelry Group is a leading financier of the diamond and jewelry trade, serving more than 2,000 relationships worldwide.

Bouwfonds

Bouwfonds is the Netherlands' largest real estate project developer based on volume, a major provider of residential mortgages and also a property financing company with an international profile.

The company's strategy is to continue to be the leader in the Dutch residential home development market and to expand in other European markets in residential and commercial property development. Bouwfonds will also aim to expand its property finance activities both in the Netherlands and beyond. In addition, the company intends to grow its property related asset management products and services aimed at private and institutional investors.

Results in 2003

Net profit for Rest of the World went up by EUR 29 million or 12.9% to EUR 253 million. Total revenue was 2.5% lower at EUR 995 million, but operating expenses fell faster

Integrating corporate market services

On assessing the Brazilian wholesale and corporate banking market, we found that wholesale clients require a wide range of financial products and services. These include payroll, cash management, loans, structured trade finance, debt and equity capital, and advice on mergers and acquisitions.

The analysis also showed that wholesale clients allocate a significant amount of capital to finance their value chain, ranging from their suppliers to their distribution channels. Wholesale clients were looking for customised bundles of retail and wholesale banking products to help to finance their value chain and release capital for investment in their core businesses.

To address these needs, we initiated during 2003 some pilot programmes to provide clients with an integrated product and client service offering from both WCS and the BU Brazil. This offering is tailored to the requirements of the entire value chain. The value chain approach has proved very successful and resulted in additional revenue of approximately EUR 30 million.

We are now working on the launch of a comprehensive and integrated approach by C&CC and WCS to the corporate market in Brazil: the 'Empresas' (corporate market) project. This project should lead to strong growth in our share of business from existing clients and attract new clients.

In addition, we are creating the framework for a more efficient use of resources and RWA, and will make full use of our intellectual capital across market segments to improve our understanding of the overall market.

Key figures Rest of the World

(in millions of euros)

	2003	2002	2001
Net interest revenue	**547**	529	538
Net commissions	**136**	122	114
Results from financial transactions	**21**	17	39
Other revenue	**291**	352	351
Total revenue	**995**	1,020	1,042
Operating expenses	**622**	650	788
Operating result	**373**	370	254
Provisioning for loan losses	**7**	74	59
Value adjustments to financial fixed assets	**1**	0	1
Operating profit before taxes	**365**	296	194
Taxes	**101**	62	24
Minority interests	**11**	10	6
Net profit	**253**	224	164
Total assets	**43,286**	29,460	28,772
Risk-weighted assets	**26,643**	21,602	22,111
Full-time equivalent staff	**8,866**	7,550	7,688
Number of branches and offices	**355**	365	393

– by 4.3% – to EUR 622 million. Provisions fell sharply by 90.5% to EUR 7.0 million. The efficiency ratio was 62.5% against 63.7% in the previous year.

New Growth Markets

Within the Rest of the World, BU NGM's net profit improved significantly, to EUR 107 from EUR 54 million in 2002, primarily because of provision recoveries in Belgium and Bank of Asia's loan portfolio.

Total NGM revenue decreased by 6% to EUR 496 million. Of this amount, Asia and Europe contributed EUR 309 million and EUR 187 million respectively. Excluding the impact of currency variations, revenue increased by 5%. This development was primarily driven by the strong growth of our retail activities in Asia. Operating expenses were down by 5% to EUR 365 million but up by 4% at constant exchange rates. This increase was driven by higher staff costs as a result of expansion in Asia. The operating result fell by 8% to EUR 131 million but rose by 9% at constant exchange rates. At 73.5%, the efficiency ratio was similar to the preceding year.

Bouwfonds

Revenue increased by 33.3% to EUR 547 million compared to the previous year. This significant improvement was primarily driven by strong refinancing activity in residential mortgages and by better margins. In addition, the integration of MNF, a mortgage portfolio previously in BU NL, further contributed to revenue growth.

Operating expenses increased by 16.5% to EUR 247 million primarily because of higher staff costs. The increase in staff costs was caused by a higher number of FTEs resulting from organic growth and the integration of MNF.

Consequently, the operating result improved by 51.0% to EUR 299 million and the efficiency ratio improved by more than 6.6 percentage points to 45.1%

For more information, please see the Annual Report of Bouwfonds or visit www.bouwfonds.nl.

Initiatives in 2004

BU NGM will pursue consumer banking growth opportunities in Asia, concentrating on organic expansion of our business in India and Greater China in anticipation of the easing of regulatory restrictions. Acquisitions may also play a part in realising our ambition of becoming one of the leading consumer banks in Asia.

Spreading Van Gogh Preferred Banking

In 2001, BU NGM developed Van Gogh Preferred Banking (VGPB). VGPB is a relationship banking approach for affluent customers, professionals and business owners. It offers superior customer value in sales, service and fulfilment in banking and non-banking products and services. VGPB customers enjoy the undivided attention and personalised service of a dedicated Relationship Manager whose focus is to anticipate and provide for the client's every financial need. Our preferred customers also receive high yield products and services such as the Wealth Management Account and Comprehensive Financial Planning.

VGPB was introduced through a pilot in Bangalore, India in November 2001 and was then formally launched in Taiwan in 2002. The launches were well received by clients and the concept spread rapidly. We have introduced VGPB into Hong Kong, Mainland China, Pakistan, Saudi Arabia (through Saudi Hollandi Bank), Singapore and the United Arab Emirates.

A Community of Practice was set up for VGPB to enable greater knowledge sharing by all the participating units. BU Brazil heard about the success of VGPM through this Community of Practice and saw that VGPB's distinct proposition would perfectly match its strategy for its affluent client base. In the spring of 2003 representatives from Brazil visited VGPB branches in Hong Kong and India. Soon after their visit they decided to adopt the VGPB concept. With the help of NGM, BU Brazil intends to open its first VGPB branch in 2004.

Wholesale Clients

Key figures WCS

(in millions of euros)

	2003	2002	2001
Net interest revenue	**1,906**	2,115	2,378
Net commissions	**1,826**	1,866	2,220
Results from financial transactions	**1,372**	1,092	1,322
Other revenue	**189**	223	273
Total revenue	**5,293**	5,296	6,193
Operating expenses 1	**4,389**	4,874	5,302
Operating result	**904**	422	891
Provisioning for loan losses	**399**	742	543
Value adjustments to financial fixed assets	**2**	4	20
Operating profit before taxes	**503**	(324)	328
Taxes 1	**108**	(42)	124
Minority interests	**8**	12	17
Net profit	**387**	(294)	187
Total assets	**249,865**	238,703	284,490
Risk-weighted assets	**61,554**	67,236	95,171
Full-time equivalent staff	**17,624**	20,238	22,423
Number of branches and offices	**145**	142	173

1 *2002, adjusted to include extraordinary items.*

Wholesale Clients (WCS) is one of the world's leaders in corporate and investment banking. Our strong client focus, global reach, integrated product offering and quality of service constitute a world class offering.

We provide a wide range of financing products and advisory services to meet the requirements and goals of a broad global client base. WCS is organised into Client and Product BUs to bring the best of the bank to clients worldwide. In tune with our client-led strategy, the client BUs spearhead WCS.

Strategy, products and services

Although our strategy is always evolving, it has not fundamentally changed since being introduced in 2001: WCS is a client-led, integrated wholesale unit with an emphasis on Europe, where we have particular critical mass in terms of clients, coverage and execution.

Our clients are typically financial institutions and large companies in countries or regions where we have a strong presence, particularly leading local companies with cross-border requirements.

We offer seamlessly integrated solutions by pooling three elements: the Client BUs' understanding of our clients' objectives; the Product BUs' deep expertise and global reach; and the bank's global capital market network.

WCS is constantly improving its operations by increasing the share of annuity and flow products, making management and the allocation of people and capital more efficient, raising asset quality and transforming its infrastructure.

During the year we also undertook a major upgrade of our MfV framework, incorporating advanced risk measurement into the performance assessment and embedding economic capital (EC) measures in all processes across WCS.

Client BUs

WCS has three Client BUs: Financial Institutions & Public sector (FIPS); Global Specialised Industries; and Industrials. Each of these BUs is organised globally as a centre of excellence to deliver market-leading expertise to clients wherever they are.

FIPS focuses on banks, insurance companies, pension funds, central banks, financial sponsors, asset managers and the public sector.

The *Global Specialised Industries* BU serves our clients in: telecommunications, media, technology and healthcare (TMTH); and chemicals and integrated energy (IE).

Our *Industrials* BU includes: heavy industries (automotive, manufacturing, aerospace and defence); general industrials (construction/building materials, forestry, pulp and paper, support services and transport); and consumer clients (consumer goods).

Product BUs

Product expertise is concentrated in the following BUs: Financial Markets; Working Capital; Corporate Finance; Equities; and Private Equity.

Financial Markets brings together wholesale debt capital raising, capital management and risk advisory services into a broad and integrated product range. We offer our corporate and institutional clients foreign exchange, money market and derivatives risk management services. Our specialised capital raising and structured financing teams structure and issue debt solutions, backed by strong research and a presence in more than 40 countries.

Working Capital delivers cash management, clearing, trade and securities services to wholesale clients. We harness our expertise in treasury and liquidity management, custody and clearing, trade finance and financial markets to provide flexible, working

Serving clients: WCS 2003 transaction highlights

Bank Mandiri

ABN AMRO Rothschild was joint global co-ordinator and bookrunner, and PT ABN AMRO Asia Securities Indonesia was stabilisation agent, for Indonesia's Bank Mandiri initial public offering (IPO). This was the largest bank IPO in Asia in 2003. ABN AMRO Rothschild provided an innovative structure featuring 'greenshoe' and 'redshoe' components and outperformed expectations by generating 60.4% of the overall demand.

France Telecom

Sole advisor (through ABN AMRO Rothschild) to France Telecom on its EUR 15 billion capital increase and joint bookrunner for the placement of the rump EUR 1.32 billion left after 94% take-up by existing shareholders. The transaction was the biggest ever global equity capital increase and the biggest ever global rights issue.

Royal Ahold

In March Royal Ahold, the Dutch-based retailer, and five financial institutions signed a EUR 600 million and USD 2.2 billion credit facility. ABN AMRO played a leading role in the structuring of this new facility and coordinated the first phase of the syndication. Later in the year we acted as joint global coordinator and joint bookrunner for a EUR 3 billion rights offering, the first sizeable rights offering in the Netherlands for more than a decade.

Morrisons

ABN AMRO Corporate Finance is sole financial adviser to Morrisons, the UK supermarket chain, on its GBP 3 billion recommended offer for Safeway, another UK supermarket group. ABN AMRO was sole arranger and fully underwrote new committed bank facilities of GBP 1.75 billion.

capital solutions with the optimal balance between efficiency and risk.

Corporate Finance is an integral part of the broad-based relationships that ABN AMRO develops with its clients. We provide strategic financial advice on mergers and acquisitions, including divestitures, spinoffs, strategic alliances and other corporate restructurings, coupled with a deep understanding of local conditions.

Equities services are provided in primary and secondary markets. We are one of the leading houses in Europe and are particularly strong in the Netherlands, UK and the Nordic region (through our subsidiary Alfred Berg). Our unique position in these highly competitive markets is combined with powerful distribution capabilities across Europe. We also offer global equity capital market services through our joint venture ABN AMRO Rothschild.

Private Equity operates under the brand name ABN AMRO Capital. It is an international network of private equity teams and one of Europe's leading private equity providers, focusing on the mid-size buyout market

Global network

ABN AMRO's global capital markets operations are principally in Amsterdam, Chicago, Hong Kong, London, New York, Singapore and Sydney. We are one of the largest European securities firms in terms of geographic spread, new issues activities, trading and placement volume, and research. In the US, ABN AMRO Inc trades and clears futures, securities and options and provides cross-border investment banking services.

2003 saw the continuing rationalisation of our geographic footprint, moving closer towards a global hub and spoke model with centralised operations and execution supporting local product and service delivery. In December we closed the sale of the US Prime Brokerage part of this business to the Union Bank of Switzerland and in the same month we agreed in principle to sell our US Professional Brokerage operations to Merrill Lynch.

WCS Client and Product BUs

Clients

- Financial Institutions & Public Sector *(banks, insurance companies, pension funds, central banks, financial sponsors, asset managers, public sector)*
- Global Specialised Industries *(Telecommunications, Media, Technology & Healthcare; Chemicals and Integrated Energy)*
- Industrials *(heavy industries – automotive, manufacturing, aerospace and defence; general industrials – construction/building materials; forestry, pulp and paper; support services and transport).*

Products

- Financial Markets *(treasury, foreign exchange, fixed income, debt capital markets, structured lending, risk advisory, corporate and sovereign lending)*
- Working Capital *(integrated working capital management, cash management, clearing and execution, trade services, custody)*
- Corporate Finance *(mergers and acquisitions, advisory)*
- Equities *(sales, trading and research, equity capital markets through ABN AMRO Rothschild)*
- Private Equity *(management buyouts, leveraged buyouts).*

Results in 2003

WCS showed good results, particularly due to a stronger performance in the second half of the year. Net profit was EUR 387 million compared with a loss of EUR 294 million in 2002.

Despite difficult market conditions, total revenue was stable year on year at EUR 5,293 million. Adjusted for currency developments, revenues increased by 9%, reflecting our client-led strategy. The benefits of our client focus are also underlined by client satisfaction surveys, which show continued improvement, and by our advance in a number of league tables across a range of core products.

Revenue from the BU Financial Markets grew throughout the year. The results from the BUs Equities and Corporate Finance improved as the year progressed, reflecting better market conditions. Revenue from the BU Working Capital remained relatively stable in 2003, while the BU Private Equity showed a strong improvement due to increased exit gains (sales of equity stakes) and lower write-downs. It is to be noted that the 2003 results included the combined gain from the sale of our Prime and Professional Brokerage units (EUR 49 million revenues and EUR 25 million net profit).

Operating expenses excluding special items declined by 3.5% in 2003 to EUR 4,389 million. Adjusted for currency movements, operating expenses increased by 5%.

The total number of staff fell by 2,614 FTEs, largely because of the transfer of 878 FTEs (in Risk Management and Audit) to the Corporate Centre and the transfer of 1,100 FTEs to EDS (related to the outsourcing of IT). The transfers to the Corporate Centre were cost neutral. The savings related to the outsourcing to EDS will be realised from 2004 onwards.

The operating result rose by EUR 482 million or 114.2% to EUR 904 million, and adjusted for currency developments it was up by 34.0%. The efficiency ratio improved from 92.0% to 82.9%.

Provisioning decreased by EUR 343 million or 46.2% to EUR 399 million, reflecting the improvement in the quality of the portfolio and a smaller impact from large corporate

Building a global retail capital raising platform

During 2003 ABN AMRO approached international US dollar retail investors with two offerings of preferred capital securities (ABN AMRO Capital Funding Trust V and VI) for a combined capital raising of USD 1.45 billion. The first of these transactions (USD 1.25 billion) established a truly global placement capability where ABN AMRO, as lead manager responsible for the international book, significantly outsold the other lead managers by more than 2:1. The issue was groundbreaking with an approximate 50:50 split between US and non-US orders. Traditionally this had been closer to 75:25.

Following the success of the first offering, the second – Capital Funding Trust VII – was undertaken with ABN AMRO as sole bookrunner. It was launched in February 2004 to an equally good reception and is the largest transaction of its kind sold in this way.

Within WCS, Credit Markets worked closely with the Corporate Centre to structure and syndicate the issue, while our strong placement was made possible by harnessing the bank's global retail and private banking placement network across the SBUs. In particular, demand came from BU Private Clients and C&CC BU NA, BU NGM and BU NL.

These significant capital raisings underscored how strong cooperation across strategic centres within ABN AMRO can maximise value for the bank's shareholders. The combination of a truly global retail distribution platform and quality execution enabled us to refinance the bank's US dollar capital needs at a considerably lower cost than before.

failures. As a percentage of average RWA, the annualised provisioning level fell to 59 basis points (bps), from 87 bps in 2002.

A higher operating result combined with lower provisioning and a low tax rate led to the strong increase in net profit.

Initiatives in 2004

WCS will concentrate on five themes: strengthening revenue growth, for example by improving revenue from flow products; pursuing cost reduction, partly through new large-scale cost-cutting measures; accelerating the expansion of Financial Markets, partly through derivatives and structured products; improving capital management, for instance by tight control of our RWA; and leveraging cross-SBU synergies.

Private Clients & Asset Management

Key figures Private Clients

(in millions of euros)

	2003	2002	2001
Net interest revenue	**367**	363	308
Net commissions	**457**	417	450
Results from financial transactions	**42**	45	43
Other revenue	**71**	69	45
Total revenue	**937**	894	846
Operating expenses	**752**	673	663
Operating result	**185**	221	183
Provisioning for loan losses	**9**	14	13
Operating profit before taxes	**176**	207	170
Taxes	**39**	61	47
Minority interests	**–**	1	3
Net profit	**137**	145	120
Total assets	**16,143**	16,134	15,821
Risk-weighted assets	**6,027**	6,104	6,121
Full-time equivalent staff	**3,877**	4,004	3,633
Number of branches and offices	**87**	84	81

Private Clients & Asset Management (PC&AM) consists of the BU Private Clients and the BU Asset Management. BU Private Clients offers private banking services to wealthy individuals and families with investable assets of at least EUR 1 million. BU Asset Management provides mutual funds and handles investment mandates. Investment management products are distributed through financial intermediaries and offered to institutional clients directly.

Private Clients

Private Clients has a top ten position in the world of private banking (in terms of assets under administration (AUA)), with year-end AUA of EUR 102 billion (2002: EUR 96 billion).

Net new assets in the Netherlands and France (through our local brands Banque NSMD and Banque OBC) have strengthened our number one market position in these two major European countries.

In 2003 we announced the acquisition of Bethmann Maffei, a private bank which dates back to 1748 and is based in the south of Germany. This transaction was completed in the first quarter of 2004 and will reinforce our position in Germany. Bethmann Maffei will be merged with Delbrück & Co, another very well-established German private bank which we bought in 2002, to form Delbrück Bethmann Maffei.

In addition, we have a strong presence in Luxembourg, Miami, Singapore and Switzerland and our operations in newer markets such as the Asia Pacific region are showing signs of strong growth.

Strategy, products and services

Client satisfaction is key to our success. Our clients and their needs vary greatly. We therefore began to implement a segmented private banking offering of well-defined services tailored to our clients' requirements and sources of wealth. The launch in September of the Sports Desk, which services successful athletes and other people in the sports world, exemplifies this approach. In the Netherlands, we introduced a new business model designed to deepen the relationship with our clients.

Private Clients benefits from its close links with C&CC: people frequently move from the higher end of the consumer business to Private Clients. In addition, corporate clients and owners of small- and medium-sized companies are potential private banking customers.

A distinguishing feature of our European private banking strategy has been to nourish local brands while giving them the support of a strong international institution. The rebranding of ABN AMRO recognised that clients have great confidence in their local brands and sought to maintain that trust while placing more emphasis on the group as a whole.

Results in 2003

Net profit fell by EUR 8 million or 5.5% to EUR 137 million. Total revenue rose by EUR 43 million or 4.8% to EUR 937 million. This was mainly driven by a 9.6% increase in commission income on the back of an improved performance in the Netherlands following the implementation of a new focused sales approach. Net interest revenue remained stable at EUR 367 million.

Operating expenses went up by EUR 79 million or 11.7% to EUR 752 million. Provisions shrank by EUR 5 million or 35.7% to EUR 9 million. Operating profit before taxes was EUR 31 million or 15.0% down at EUR 176 million.

As foreseen, the efficiency ratio deteriorated by 5 percentage points to 80.3%. This was primarily a consequence of temporarily higher expenses related to the restructuring in France during the year. We made good progress in centralising the back offices of our smaller private banking businesses. These activities, combined with the falling away of some incidental costs, will improve our efficiency ratio.

Initiatives in 2004

Continental Europe is at the heart of our growth strategy and client engagement will continue to be the key to growth. We will amplify this basic approach by recruiting additional private bankers and sales staff, small acquisitions in important European markets, and accelerated harvesting of synergies with ABN AMRO in areas such as client migration (clients moving between ABN AMRO products and services), product development and distribution.

Product development process puts customers first

In 2003 ABN AMRO Private Banking Netherlands embarked on a new investment product development process. Product suppliers previously drove product development. But since 2003 ABN AMRO Private Banking Netherlands has pursued a strongly client-focused approach. Key to the new process is the Product Marketing Calendar, which identifies the principal investment themes and market developments relevant to private banking customers.

The process also carefully analyses the needs of specific client segments. Product suppliers, such as ABN AMRO Asset Management and WCS, are involved at an early stage so that they can target their efforts on translating the identified themes and developments into products which appeal to clients.

The new approach has already borne fruit for Private Banking and internal product suppliers. Spring 2003, for instance, was the most successful promotion period ever for Private Banking Netherlands and ABN AMRO Asset Management, attracting EUR 1 billion into a series of new investment funds. The ABN AMRO High Income Equity Fund launched in September 2003 also attracted a record inflow from clients.

Key figures Asset Management

(in millions of euros)	2003	2002	2001
Net interest revenue	**4**	6	22
Net commissions	**480**	515	533
Results from financial transactions	**5**	(3)	–
Other revenue	**7**	11	18
Total revenue	**496**	529	573
Operating expenses	**396**	421	473
Operating result	**100**	108	100
Provisioning for loan losses	**–**	(1)	–
Value adjustments to financial fixed assets	**(1)**	1	–
Operating profit before taxes	**101**	108	100
Taxes	**29**	35	37
Minority interests	**4**	1	–
Net profit	**68**	72	63
Total assets	**911**	866	832
Risk-weighted assets	**695**	647	408
Full-time equivalent staff	**2,124**	2,175	2,246
Number of branches and offices	**34**	32	35

Asset Management

ABN AMRO has a truly global asset management business with EUR 156 billion in specialist mandates and mutual funds. We operate in more than 30 countries across Europe, the Americas, Asia and Australia. Portfolio management is concentrated in six centres: Amsterdam, Atlanta, Chicago, Hong Kong, London and Singapore. We offer investment products in all major regions and asset classes, using an active investment style. An internationally coordinated investment process and well-monitored risk management characterise our investment philosophy.

Strategy, products and services

Our growth strategy is mainly based on organic growth and partnerships, while also capitalising on synergies within ABN AMRO. In 2003, Asset Management initiated partnerships with Aspis in Greece, Türk Ekonomi Bankasi in Turkey and Xiangcai Hefeng in China to capitalise on their local knowledge and distribution capacity.

We reinforced our position in Norway by acquiring the asset management activities of Sparebank 1 Aktiv Forvaltning, while our position in Brazil was strengthened by the acquisition of the asset management business of Banco Sudameris. We also opened a new unit in India to exploit C&CC's and Private Clients' distribution channels there.

Asset Management's products are distributed directly to institutional clients such as central banks, pension funds, insurance companies and leading charities. The funds for private investors are distributed through ABN AMRO's consumer and private banking arms, as well as third party distributors. Our institutional client business represents just over half of the assets managed, the

Helping to fulfil clients' needs for today and their dreams for tomorrow

fund business 40%, and the remainder is in discretionary portfolios managed for Private Clients.

ABN AMRO Trust provides professional management and trust services to a global client base from seven centres across the globe, applying very high compliance and risk management standards.

Asset Management aims to take full advantage of the expected increase in investment management services, especially in Europe where considerable growth is anticipated in an already large mutual fund market. In the US, we are also building on the opportunities presented by our asset management operations, Montag & Caldwell in Atlanta and ABN AMRO Asset Management in Chicago.

To get a clearer picture of how and where value is created, we have introduced a new management information system which provides information on the retail, institutional and private client segments along with information by geography.

Taking a joint approach to clients' working capital

In 2003, Asset Management and Wholesale Clients intensified their cooperation in liquidity management services. As a result, Asset Management's cash management products have been fully integrated into the product offering of the Working Capital and Financial Markets BUs within WCS.

By combining Asset Management's expertise in investment management tools with the liquidity management products of WCS, we are better positioned to provide a superior service to our clients. This cooperation led, for example, to an inflow of more than EUR 1.0 billion in 2003 into our core money market fund, the ABN AMRO Global Liquidity Fund.

The experience underlines our belief in the importance of ascertaining clients' needs in order to be able to deliver the best solution, using products from different parts of the ABN AMRO organisation. In this case, WCS and Asset Mangement jointly meet clients' working capital needs. In 2003, we started a number of initiatives which will result in further integration of the product offerings of Asset Mangement and WCS.

Results in 2003

Net profit decreased by EUR 4 million or 5.6% to EUR 68 million. Total revenue was EUR 33 million or 6.2% lower at EUR 496 million, mainly because net commissions, which make up the majority of Asset Management's revenue, were EUR 35 million or 6.8% down at EUR 480 million due to the depreciation of the US dollar against the euro. More than 30% of our AuM is denominated in US dollars. Lower net asset values in the first half of the year and the shift from equity to lower margin fixed income and cash products also contributed to the lower commission income.

Operating expenses decreased by EUR 25 million or 5.9% to EUR 396 million as a result of strict cost control measures and currency movements. The operating result fell by EUR 8 million or 7.4% to EUR 100 million, although at constant exchange rates it was 4.6% higher at EUR 113 million. The efficiency ratio of 79.8% was almost unchanged compared with 2002.

Operating profit before taxes declined by EUR 7 million or 6.5% to EUR 101 million.

Initiatives in 2004

In 2004, Asset Management will focus on establishing a framework for sustained growth. Our middle and back offices will be modernised by optimising operational efficiency, operational risk management and the quality of our customer service and support. We intend to outsource our investment administration and operations activities as much as possible. Realising synergies from closer cooperation with other parts of ABN AMRO and forming new partnerships are also among the opportunities identified. We are determined to keep a clear focus on clients in deciding our investment product range and to be ambitious about our investment performance.

LeasePlan Corporation

Key figures LeasePlan Corporation

(in millions of euros)

	2003	2002	2001
Net interest revenue	**271**	265	243
Net commissions	**175**	184	177
Other revenue	**367**	344	350
Total revenue	**813**	793	770
Operating expenses	**556**	543	521
Operating result	**257**	250	249
Provisioning for loan losses	**10**	18	22
Operating profit before taxes	**247**	232	227
Taxes	**55**	52	61
Net profit	**192**	180	166
Total assets	**10,769**	10,575	10,491
Risk-weighted assets	**10,190**	10,150	10,016
Vehicles under management *(in thousands)*	**1,075**	1,089	1,107
Full-time equivalent staff	**7,221**	7,378	7,306
Number of branches and offices	**121**	130	103
***Ratios** (in %)*			
Efficiency ratio	**68.4**	68.5	67.7
Return on equity	**19.9**	22.3	25.3
Tier 1 ratio	**10.8**	9.3	7.8
Total capital ratio	**13.2**	11.7	10.2

LeasePlan Corporation, with its main brand LeasePlan, is the European market leader in operating car leasing and one of the world's leading players in the fleet management market. In 2003, LeasePlan Corporation reported a net profit of EUR 192 million, up 6.7% from EUR 180 million in 2002. Revenue rose by 2.5% from EUR 793 million to EUR 813 million.

Wholly owned by ABN AMRO, LeasePlan Corporation has a presence in 27 countries (21 countries in Europe, and in North and South America, Asia, Australia, New Zealand and South Africa). In addition, LeasePlan Corporation provides vehicle lifecycle asset management services for the automotive industry through QEK Global Solutions. QEK is active in Australia, the Netherlands, the UK and the US.

LeasePlan Corporation companies employ 7,221 FTEs worldwide. The companies manage a fleet of 1.1 million vehicles and a consolidated contract lease portfolio with a value of EUR 9.6 billion.

LeasePlan Corporation aims for leadership in all its main markets and keeps opportunities for expansion in new countries under constant review. Its ambition is to provide value-added services to all segments in the automotive value chain.

For more information, please see the Annual Report of LeasePlan Corporation or visit www.leaseplancorp.com.

Corporate Centre

Key figures Corporate Centre

(in millions of euros)

	2003	2002	2001
Net interest revenue	**343**	243	327
Net commissions	**(6)**	(1)	(18)
Results from financial transactions	**333**	117	(85)
Other revenue	**46**	27	25
Total revenue	**716**	386	249
Operating expenses	**22**	(73)	(240)
Operating result	**694**	459	489
Provisioning for loan losses	**39**	41	46
Value adjustments to financial fixed assets	**12**	36	2
Operating profit before taxes	**643**	382	441
Taxes	**191**	123	145
Extraordinary result after taxes	**–**	–	867
Minority interests	**215**	173	133
Net profit	**237**	86	1,030
Total assets	**59,987**	60,559	42,933
Risk-weighted assets	**2,951**	1,986	3,530
Full-time equivalent staff	**1,556**	573	586

Corporate Centre provides guidance on corporate strategy and supports its implementation in accordance with MfV. It is very active in encouraging the application of ABN AMRO's Corporate Values and Business Principles throughout the bank.

Strategy, products and services

The aim of Corporate Centre is to be a centre of excellence, exploring value creating capabilities and helping SBUs meet their objectives, while balancing the interests of the SBUs and the bank as a whole. In so doing, Corporate Centre promotes our global brand name and the combined strength of the group as one bank.

This translates into three roles:

- *Governance:* the Corporate Centre enables the company to exist as a single legal entity and is responsible for corporate governance. It is in charge of compliance with regulatory and legal requirements, including compiling and reporting financial statements
- *Influencing and policy making:* the Corporate Centre adds value by assisting in the implementation of the Managing Board's strategic guidance. It designs, implements and monitors standards and policies within which SBUs work. Corporate Centre also monitors performance targets and progress towards reaching them, and provides expert advice and assistance in key areas
- *Service provision:* the Corporate Centre facilitates and exploits cross-SBU synergies by providing shared services in defined business areas for the group, in close cooperation with the SBUs.

Results in 2003

Net profit rose by EUR 151 million or 175.6% to EUR 237 million.

Interest revenue from Corporate Centre's portfolio increased in 2003 by EUR 100 million or 41.2% to EUR 343 million, due to the higher Asset and Liability Management (ALM) result.

The result from financial transactions went up by EUR 216 million or 184.6% to EUR 333 million due to the hedge results mentioned earlier. Other revenue, mainly the proceeds from the sale of a building lease, increased by EUR 19.0 million or 70.4% to EUR 46.0 million.

Support function costs are allocated by the Corporate Centre either according to internal management evaluations or on a contractual basis.

Operating expenses increased to EUR 22.0 million because of the release of EUR 42.0 million in provisions in 2002 following the sale of European American Bank (EAB) in 2001.

Corporate Centre group functions

- *Corporate Development:* advises the Managing Board on the development of group strategy, including identification, analysis and development of mergers and acquisitions; manages the portfolio of group businesses from a strategic perspective.
- *Corporate Communications:* manages external and internal communications and investor and press relations; manages the bank's brand name and sustainability policy.
- *Group Audit:* assesses and advises on adequacy of internal controls through independent audits.
- *Group Finance:* advises the Managing Board on MfV; monitors the overall financial position; reports to regulators and shareholders.
- *Group Risk Management:* develops and approves high level risk policy; approves risk exposures; manages inter-SBU risk issues; conducts daily management of all independent risk functions for WCS.
- *Group Organisation & Standards:* is primarily responsible at group level for setting policies, standards and procedures for the bank's processes. The objective is to enhance efficiency, mitigate risks and contribute to cost control.
- *European Union Affairs & Market Infrastructure:* represents ABN AMRO's interests through the EU Liaison Office; links market infrastructure developments in the payments and securities industry with internal strategy development.
- *Group Human Resources:* advises the Managing Board on people aspects of the strategy; advises and supports on corporate policy in executive development and leadership development; develops frameworks and guidelines on important HR areas for global use by all SBUs, including a bank-wide centralised HR framework.
- *Group Legal & Compliance:* setting and maintaining standards, policies and guidelines for the whole legal and compliance function within ABN AMRO; handling corporate legal affairs, and rendering legal services to the SBUs; meeting the requirements of external legislation and regulations including those of national and supranational institutions and supervisors.
- *Economics Department:* produces research to support policy and strategy; contributes to the risk management of the bank; provides economic and sectoral information, analyses and forecasts.

Realising synergies between SBUs

In 2003, the Corporate Centre was closely involved in many initiatives on creating value for and between the SBUs. These initiatives realised cost synergies which often released substantial value.

Consistent with the bank's continued strengthening of WCS, the Managing Board directed a joint WCS and Corporate Centre initiative to review the use and reorganisation of the bank's capital, consistent with WCS's client-led strategy and MfV principles. The initiative – referred to as the Risk Action Track – brought in Group Risk Management to partner WCS in strategic business planning and expanding the bank's use and knowledge of EC in decision making. The Risk Action Track will reinforce WCS's business and will deploy one of the bank's core competencies – risk management – in its own and its clients' strategic decisions.

In another initiative, Group Operations combined several operations functions previously executed by the SBUs into bank-wide shared services functions. These activities are now part of GSS, which is further discussed on page 61.

At the same time, Group Human Resources developed and implemented cross-BU learning initiatives aimed at the personal and professional development of Top Executives, their teams and the organisation to help them to provide thought leadership and the highest quality service to our clients.

Operating profit before taxes was also significantly higher, up EUR 261 million or 68.3% at EUR 643 million. The rise was largely caused by higher results on the hedging of our expected US dollar-related net profit and higher interest revenue from Asset and Liability Management (ALM). Total revenue went up by EUR 330 million or 85.5% to EUR 716 million.

Provisions for loan losses were almost unchanged at EUR 39 million as a result of provisions taken for Argentine sovereign risk. Value adjustments to financial fixed assets fell by EUR 24 million or 66.7% to EUR 12 million, reflecting smaller losses on shares in the Corporate Centre's investment portfolios than in 2002.

Taxes rose by EUR 68 million or 55.3% to EUR 191 million, in line with the increase in operating profit before taxes.

Minority interests amounted to EUR 215 million, up EUR 42 million or 24.3% over 2002 due to a new issue of trust preferred shares.

Corporate Centre manages the bank's capital as part of its ALM responsibilities. It had investment and other assets of EUR 60 billion and RWA of EUR 3.0 billion at 31 December 2003, an increase of EUR 1 billion on 2002.

Initiatives in 2004

Our chief aim is further to facilitate and contribute to realising synergies between BUs, while remaining vigilant on cost control. Starting from the principles of MfV, Corporate Centre will continue in its role of driving the realisation of the group's strategy, as determined by the Managing Board.

Group Shared Services

Improving the effectiveness and efficiency of the services needed by many parts of ABN AMRO to serve clients competitively is central to meeting the bank's strategic objectives. At the end of 2003, the Managing Board therefore committed to establishing Group Shared Services (GSS) as a natural extension of existing (S)BU initiatives on shared services delivery. GSS formally came into existence on 1 January 2004, but its operations will build up during the year.

The vision behind GSS is that it will:
• Drive the transformation of bank-wide services delivery further, aiming to get into the top quartile of the market, measured by operational excellence
• Deliver defined contributions to (S)BU goals in client satisfaction, EV and service quality
• Deliver significant value through shared services, strategic outsourcing and offshoring.

GSS will benchmark its services externally and set out key performance indicators for all of them. Shared Service Units (SSUs) within GSS will deliver these services.

To be eligible for inclusion in GSS, services must be used across multiple SBUs. The initial core is: ABN AMRO Central Enterprise Services (ACES), the offshore SSU based in India; group-wide programme management of IT infrastructure, development and maintenance; a European Payments Centre; global Procurement; and Human Resources shared services. Policy and standard setting will remain with the Corporate Centre.

The SBUs will govern GSS through a GSS Board and the SSUs through specialist User Forums.

Regulatory capital

Group capital at year-end 2003 was EUR 31,803 million, an increase of EUR 1,379 million or 4.5% compared with 2002.

Shareholders' equity

The EUR 1,966 million or 17.7% increase was mainly due to retained earnings, offset by goodwill and translation changes on investments in operations abroad. The full year addition to the general reserve from net profit less dividends will equal EUR 2,461 million. Revaluations of our participations and premises raised equity by EUR 159 million. Total goodwill of EUR 425 million was deducted from reserves (for acquisitions), among them Banco Sudameris and Artemis and the increase in our holding in Banca Antonveneta. The acquisition of Banco Sudameris was partly paid for by the issue of new shares in Banco ABN AMRO Real, resulting in an EUR 207 million dilution premium being added to equity. Exchange rate differences led to a loss of EUR 466 million, of which EUR 227 million was caused by the depreciation of the US dollar.

The number of ordinary shares outstanding rose by 52.3 million to 1,637.9 million, of which 50.0 million were related to stock dividends issued at an average price of EUR 15.67. The 2002 final dividend resulted in 50% of shareholders choosing the stock dividend, for which 23.6 million shares were issued at EUR 15.075 each. After the 2003 interim dividend was declared, 59% of shareholders chose the stock dividend, leading to 26.4 million shares being issued at EUR 16.20 each. Staff options exercised resulted in 0.4 million additional shares, issued from repurchased shares at an average price of EUR 17.34. Lastly, 0.5 million preference shares were converted into 1.9 million ordinary shares for an extra contribution to capital of EUR 1.5 million.

The period for conversion of preference shares closed at the end of October 2003 and the remaining 44,988 shares were changed into non-convertible preference shares, on which the dividend rate, fixed for ten years, is 3.3231% with effect from 1 January 2004.

Minority interests

A combination of factors caused a fall of EUR 97.0 million. Cumulative exchange rate changes of EUR 572 million, of which EUR 499 million was on elements of tier 1 capital, caused minority interests to decline This was offset by increases due to the acquisition of Banco Sudameris and the net movement in other subsidiaries with minority interests.

Fund for general banking risks

Foreign currency exchange rate changes were the cause of the EUR 112 million decrease.

Subordinated debt

Subordinated capital fell by EUR 378 million to EUR 13,900 million. The effect of foreign exchange rates reduced total subordinated debt by EUR 1,102 million, of which EUR 338 million was debt on tier 1 capital. Redemptions totalled EUR 164 million and repurchased subordinated debt equalled EUR 137 million. This was offset by issuances totalling EUR 867 million and acquisitions of EUR 158 million.

Required capital and ratios

ABN AMRO applies capital adequacy ratios based on the Bank for International Settlements' (BIS) guidelines and Dutch Central Bank directives. These ratios compare our bank's capital with its assets and off-balance sheet exposure weighted according to relative risk. Capital is also set aside for market risk associated with our bank's trading activities. The minimum tier 1 ratio is 4% and the minimum total capital ratio is 8%. ABN AMRO comfortably meets these standards with a tier 1 ratio of 8.15%, of which the core tier 1 ratio is 5.91%, and with a BIS total capital ratio of 11.73%.

The total capital base fell by 0.9% in 2003. RWA amounted to EUR 223.8 billion at year-end 2003, a decrease of EUR 5.8 billion from the end of the previous year. Securitisation programmes in 2003 increased by EUR 8.7 billion to a total of EUR 39.4 billion.

Working **together** to create a perfect fit between clients, employees and our activities

Risk management

Risk management framework

Comprehensive risk management is a core competency of ABN AMRO. We take a prudent and conservative approach to risk that is fully aligned with our long-term strategy. ABN AMRO underpins this strategy with a professional risk function which is independent of the commercial lines of business.

The risk framework combines centralised policy setting with broad oversight, supported by risk execution and monitoring in the group's network. It provides management with the ability effectively to oversee the bank's large and highly diversified portfolio.

ABN AMRO's risk management systems are designed to identify and analyse risks at an early stage; to set and monitor prudent limits; and to continuously learn and evolve to face a volatile and rapidly changing risk environment. In this way, ABN AMRO risk management adds value for our shareholders.

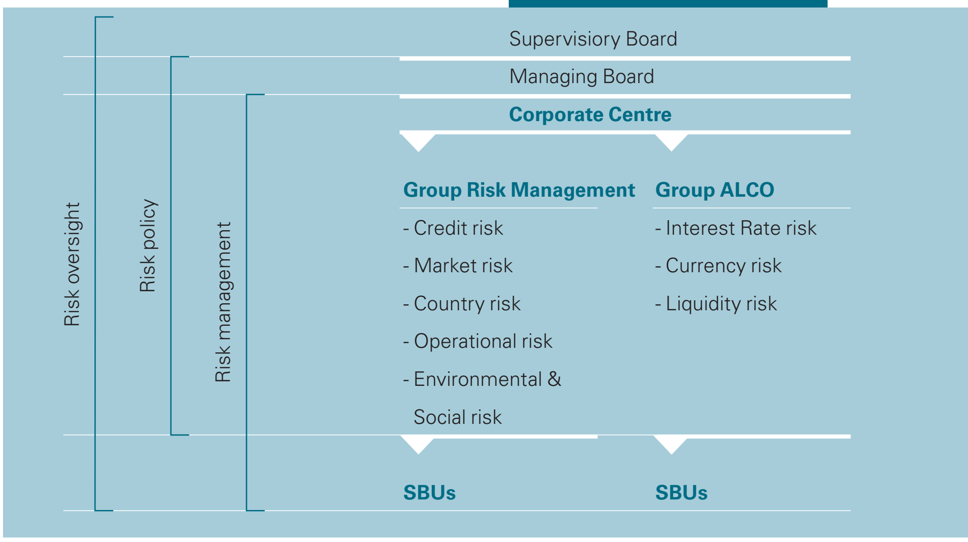
Risk governance organisation

The Managing Board establishes the strategic risk philosophy and policies for ABN AMRO under the oversight of the Supervisory Board. The Supervisory Board, as part of its responsibilities, regularly monitors the risk of the bank's portfolio. Responsibility for the overall implementation of risk policy lies with the CFO, who is a member of the Managing Board.

Risk is managed through two principal directorates, Group Risk Management (GRM) and Group Asset and Liability Management (GALM):

- GRM is responsible for the management of credit, country, market and operational risk and is also responsible for leading the work to assess the impact of the New Capital Accord (Basel II) and to prepare the bank for its implementation

Risk governance organisational structure



- GALM seeks to protect the earnings and capital position of the bank from adverse interest rate and currency movements in the non-trading portfolios as well as managing the group's longer-term liquidity profile. Overnight liquidity and cash management are done by the bank's treasury department.

Group Risk Management

The Group Risk Committee (GRC), whose voting members are drawn mainly from GRM, is the most senior committee on policy and exposure approval for credit, country and market risk.

GRC's main responsibilities are to:

- Determine the risk policies, procedures and methodologies for measuring and monitoring risk
- Set delegated authorities for lower committees and authorised individuals, within GRM, C&CC and PC&AM
- Approve credit, market, and operational risk associated with new products
- Approve the risk on transactions whose value exceeds the authority delegated to lower committees

- Approve structured finance and tax-related transactions
- Review quarterly the adequacy of provisions on the credit portfolio
- Oversee the bank's overall portfolio for WCS, C&CC and PC&AM.

The credit risk organisations of C&CC and PC&AM have a local focus and are overseen by GRM. WCS's risk function is fully integrated into GRM. Market risk and operational risk are separate risk functions within GRM. Country risk officers (CROs) are an integral part of GRM and provide local oversight. A newly formed group within GRM, Structured Risk Interface (SRI), has been established to manage the risks within the complex and diverse WCS product mix.

The main responsibilities of GRM and the risk management of C&CC and PC&AM are to:

- Oversee all credit, market and regulatory matters and ensure compliance with local laws
- Approve risk transactions within delegated limits and advise on credits which exceed such authority
- Implement review and control policies on all risk portfolios
- Manage individual problem credits and monitor the distressed assets portfolio within ABN AMRO's risk parameters
- Set provisions within delegated authority
- Approve consumer product programmes and SME programme lending within delegated authority
- Establish and maintain operational risk control discipline
- Ensure compliance with ABN AMRO's Corporate Values and Business Principles.

Basel framework

In April 2003, following Quantitative Impact Study (QIS) 3, the Basel Committee on Banking Supervision (BCBS) issued its third consultative paper. It was followed in August by a report on high-level principles for the cross-border implementation of the new accord.

ABN AMRO intends to qualify for the AIRB approach for credit risk and AMA for operational risk. In order to implement the changes necessary to comply with Basel II as issued by the BCBS and Capital Adequacy Directive 3 (CAD 3) issued by the European Commission, the bank has established a group-wide project structure governing related policy and standard setting in the Corporate Centre as well as change delivery in the (S)BUs, reporting directly to the Managing Board.

Within this structure and for each (S)BU, implementation projects have been defined to ensure timely compliance with the Basel II rules and regulations. In addition, separate projects have been set up to assess and act upon the business consequences of Basel II. All (S)BU projects report into their own Steering Committees and to the Group Basel II Steering Committee through the Group Basel II Project Office. Implementation of Basel II and CAD3 is being aligned with development of a comprehensive internal framework for economic capital (EC).

In October 2003, the BCBS advised that it was working towards finalisation and signing of Basel II around mid-2004. This implies that material changes in the Accord text or further delays in the process, or both, are still possible, which inevitably introduces some uncertainty.

The bank welcomes the changes now proposed and accepts the subsequent delay if and when these ultimately lead to improved and globally supported regulations. Additionally, the bank hopes that – given the many markets in which it operates – the regulators involved will agree on practical arrangements for roles and responsibilities, reducing possible overlaps in supervision.

Credit risk

ABN AMRO defines credit risk as being the risk that a counterparty, issuer or both will fail to perform its obligations to the bank or that the quality of an issuer deteriorates.

Main principles of credit risk management

The main principles of credit risk for commercial and consumer credits are:
- Approval of credit risk exposure is independent of the business originators
- All commercial activities which commit the bank to engage in risk sensitive transactions require prior approval by committees or at least two authorised individuals (the 'four-eyes principle')
- The Managing Board delegates approval authorities to GRM within Corporate Centre and further down to the SBUs
- Within delegated authority levels, the BUs are responsible for managing all business activities
- Credit facilities, once granted, are properly documented and monitored.

Management of commercial credits

Credit decisions for commercial clients are based on:
- Global One Obligor Exposure (GOOE), which combines all direct and contingent credit limits to a given relationship globally
- Uniform Counterparty Rating (UCR), which is the risk rating of the individual counterparty.

Within WCS, client management and product specialists identify client credit needs and propose the structuring of credit facilities, including advice from the Portfolio Management (PM) Group. GRM is responsible for the approval of individual WCS credits and for specific industry and regional credit policies. Credit proposals which exceed the authority of the CRO will be forwarded to GRM Amsterdam.

The CROs in C&CC and PC&AM have a functional reporting line to GRM. Credit proposals that exceed the delegated authority of the (S)BU will be forwarded to GRM for advice and decision by the relevant credit authority.

Management of consumer credits

ABN AMRO's consumer businesses rely on the Product Programme process for credit approval. In the first instance, the BU prepares a Product Programme to apply for approval to offer a certain credit product. The Product Programme must specify the target customers or customer segment and should contain standard risk acceptance criteria for evaluating and approving individual transactions. Further, the Product Programme should demonstrate that the behaviour of the portfolio will be predictable in terms of yield, delinquency and write-offs. Tracking and reporting mechanisms must be able to identify trends in portfolio behaviour early and allow for timely adjustments.

The Managing Board has delegated authority for approval of Product Programmes to GRM and to the home market BUs. Other BUs must apply to GRM for approval of all programmes. Decision authority is based on the proposed peak portfolio outstanding for a certain product offering. Under an approved Product Programme, the authority to approve individual credit transactions is delegated to authorised individuals.

Credit initiation, account maintenance and collections decisions may be based on objective application of eligibility criteria plus other guidelines described in the approved Product Programme or on credit scoring. BUs use internally developed and vendor-supplied scorecards. Credit bureaus are used where available.

Portfolio performance databases are maintained by the businesses to help in portfolio control. Detailed information is available in BUs to permit segmentation of portfolios. GRM keeps information at a product portfolio level to aid monitoring on a regional and global basis.

Risk management tools

Credit rating system, UCR, LGD classification

ABN AMRO has an extensive rating system which is applied globally for commercial credits. It consists of two types of ratings: (1) a UCR; and (2) Loss Given Default (LGD), a facility-type rating classification. The UCR is the reflection of the estimated probability that the counterparty will default. The LGD classification is a reflection of the loss the bank expects to suffer on a facility if the counterparty defaults.

Both rating types are key inputs for measuring and managing credit risk. UCRs and LGD classes are assigned by risk officers or risk committees independent of the commercial departments.

The UCR rating scale is applied globally within the bank for all non-retail exposures. The rating scale of UCRs consists of 15 non-default grades and three default grades. The non-default grades can also be mapped to those of external rating agencies. A number of rating tools have been developed to support the assignment and review of UCRs. These rating tools quantify the relative impact of various risk factors and make rating decisions transparent. Rating tools are now available, or are in an advanced stage of development, for all the bank's major loan portfolios. ABN AMRO uses rating tools which are tailored to each specific market to reflect the underlying risk drivers. In 2003, new rating tools were developed and introduced for finance and lease companies, commodity traders and real estate.

The LGD classification is determined for each facility on the basis of seniority, collateral and an assessment of the legal environment. LGD classification policies have been tailored to reflect specific (local) markets, counterparty types and products. Loss data on defaulted credits are being gathered and stored in a LGD database to validate and improve the LGD classification and underlying policies.

RAROC model and pricing tools

ABN AMRO has developed a multi-factor RAROC model to support management of its credit portfolios. This model is primarily used to monitor risk concentrations and changes in the risk profile of the portfolios with respect to expected loss and EC. The RAROC model is also the basis upon which loan pricing tools used by BUs have been developed.

In 2001, WCS PM introduced the Loan Pricing Tool (LPT). This tool is now firmly embedded in WCS and allows stakeholders to measure the EV created or destroyed by credit products. The LPT introduced a discipline in pricing that enables PM staff and Relationship Bankers to ensure pricing is set to maximise value creation. This has lead to a significant increase in the average revenue for each unit of capital employed in the PM business. PM has also introduced initiatives to employ capital in credit structures and products with better liquidity.

ABN AMRO loan portfolio and its composition

The development of total net loans during 2003 reflects ABN AMRO's policy of

Total loans analysed by SBU breakdown

(in billions of euros)

	Total 2003	C&CC	WCS	PC&AM/ CC/LPC	2002	2001
Public sector	**5.5**	1.0	3.8	0.7	7.4	14.1
Private sector	**234.8**	168.1	43.3	23,4	247.2	260.2
Total loans*	**240.3**	169.1	47.1	24.1	254.6	274.3

** Excluding professional securities transactions.*

managing the balance sheet to emphasise profitability and efficiency rather than absolute growth of revenues through increases in loan volume.

Public sector and private sector loans declined, mainly due to the strengthening of the euro against other currencies, particularly the US dollar.

On a total loan basis, C&CC continued to be the largest SBU, holding approximately 70% of total loans outstanding. WCS was second, with 19.6%. The remaining portion relates to PC&AM and other group businesses. The predominance of C&CC within ABN AMRO's total loans reflects the size of C&CC's operations in the bank's home markets of the Netherlands, US Midwest and Brazil.

C&CC loan portfolio

The Netherlands continues to have the largest asset base, accounting for 47.4% of total private loans outstanding (excluding Bouwfonds, which comes under Rest of the World), followed by North America with 27.1%. In 2004, ABN AMRO will aim for further growth in its C&CC portfolio in countries such as China, Hong Kong and India (which also come under Rest of the World).

Commercial portfolios

C&CC's commercial portfolios accounted for 40.8% of total C&CC private sector loans. The loan portfolio declined modestly year on year, reflecting the strength of the euro against other currencies.

The C&CC Netherlands commercial portfolio (excluding Bouwfonds) increased by approximately 3.3% over the year. The portfolio remains diversified, with Manufacturing, Transportation & Communication, and Financial Services the top three industry clusters.

In North America, C&CC commercial activities are focused on the US Midwest, primarily in middle market lending, commercial real estate, asset based lending and leasing. The year started with strong growth in commercial real estate, driven by low interest rates. Middle market business and leasing revived in the second half of the year. The portfolio remains well diversified, with the top three industry clusters being Construction & Real Estate, Manufacturing and Wholesale & Retail Trade.

C&CC's Brazil commercial portfolio saw strong growth through organic expansion of the local credit market and the Banco Sudameris acquisition.

The increase in the Rest of the World's commercial loan portfolio was mainly due to growth in the Bouwfonds portfolio. Other loan portfolios were stable.

C&CC – Total private sector loans by BU
(in billions of euros)

	Total 2003	Nether-lands	North America	Brazil	Rest of the World	2002
Commercial	**68.5**	25.2	30.9	2.5	9.9	70.1
Consumer	**99.6**	54.5	14.6	3.5	27.0	102.4
Of which: mortgages	***82.1***	*42.1*	*14.1*	*0.3*	*25.6*	*85.5*
Total Private Sector Loans	**168.1**	79.7	45.5	6.0	36.9	172.5

Consumer portfolios

The C&CC Consumer Portfolio continued to be the dominant part of C&CC's business, accounting for 59% of total C&CC private sector loans. Mortgages make up 82.4% of consumer loans.

In the Netherlands the portfolio grew modestly despite difficult markets. In the US, the strong mortgage refinancing market was evident in the first half of 2003 with LaSalle Bank Corporation (LBC) underwriting USD 123 billion of home mortgages. At year-end, LBC was servicing more than USD 200 billion of home mortgages.

The C&CC Brazil consumer portfolio consists mainly of car finance and personal loans. It increased by EUR 1,905 million with the acquisition of Banco Sudameris.

The Rest of the World's consumer portfolio was mainly Bouwfonds. It rose by EUR 8.0 billion, partly because of the transfer of the MNF portfolio from BU NL in the first quarter.

WCS loan portfolio

The WCS loan portfolio declined by 17.5% during 2003. This reduction was primarily driven by the continued depreciation of the US dollar against the euro during 2003 and ABN AMRO's focus on balance sheet management.

WCS's client base is predominantly in Organisation for Economic Cooperation and Development (OECD) countries. Exposures are primarily in Europe and the US. Market conditions and exchange rate movements in 2003 caused a noticeable shift in WCS corporate exposure from North America to Europe. Telecommunications, Automotive and Integrated Energy were the top three industry clusters. WCS manages all industry exposures under agreed portfolio caps across geographic markets.

Credit migration decelerated in 2003. An improved economic environment, strong credit discipline and preventive actions taken in 2001 and 2002 (reduction of corporate exposures, tighter exposure caps on certain industries, stress tests on individual portfolios, hedging strategies) allowed WCS to weather the tough market and position itself to benefit from the economic recovery in 2003.

In line with the global banking industry, PM has used the credit derivatives market to hedge corporate risk and reduce economic and regulatory capital in the WCS loan portfolio. The selective hedging of the loan portfolio has allowed PM to manage risk concentrations at both relationship and industry level. This is an important tool in the expansion of the active portfolio management model.

Provisioning

Provisioning policies

ABN AMRO has developed specific provisioning policies for the classes of loan business the bank undertakes. These policies are kept under constant review and are adjusted to reflect (amongst other things) the bank's actual loss experience, developments in credit risk modelling techniques and changes in legislation in the jurisdictions in which the bank operates.

Corporate and commercial loans

The corporate and commercial clients to whom the bank grants credits are formally reviewed at least once a year by the bank's dedicated credit committees or authorised individuals. Additionally, the bank's credit officers continually monitor the quality of loans. Should deterioration of either the quality of a loan or the financial strength of a borrower give rise to doubts about repayment, management of the relationship is transferred to GRM's Financial Restructuring & Recovery (FR&R) unit. After making its assessment, FR&R determines the amount, if any, of the specific provision that should be made, after taking into account the value of collateral. At the close of each quarterly reporting period, the GRC reviews specific provisions on the portfolio to ensure their adequacy.

Consumer loan products

The bank offers a wide range of consumer loan products and programmes such as personal loans, home mortgages, credit cards and home improvement loans.

Provisioning for these products is on a portfolio basis. A specific provision for each product is determined by the size of the portfolio and the bank's loss experience.

Our consumer loan portfolio policy states that in general when interest or principal on a consumer loan is 90 days or more overdue, any further accrual of interest is suspended, and such loans are classified as non-accrual.

Sovereign risk

The bank has developed a sovereign risk scoring system. With effect from 2002, a provision for sovereign risk is made only for payments which are overdue or expected to become overdue.

Non-performing loans

The bank categorises loans as non-performing when there is doubt about the borrower's capacity to repay the principal.

Specific provisions and non-performing loans by SBU

C&CC provision trends by BU

C&CC's total provisions for the year ended 2003 were EUR 817 million, representing a decline of 7.3% over total provisions in 2002. Provisions moved from 58 bps of average RWA in 2002 to 56 bps in 2003. Of total provisions in 2003, 53.9% relates to consumer loans and 46.1% to commercial loans.

Continuing weakness in the Netherlands was reflected in higher provisions of EUR 246 million against EUR 137 million in 2002. The SME sector in particular accounted for a sizeable proportion of the increase, and weakness in unsecured consumer lending added to the total. The Dutch mortgage portfolio continued to perform well, with minimal losses.

Credit conditions in the US improved in 2003, resulting in provision levels of EUR 306 million compared with EUR 477 million in 2002. The bank's middle market, leasing and asset-based lending businesses all exhibited improved credit characteristics. Loan losses remained low in commercial real estate and

Specific provisioning by SBU *(net additions)*

(in millions of euros)

	Total 2003	C&CC	WCS	PC/AM/ CC/LPC	2002	2001
Total for loan losses	**1,240**	817	386	37	1,681	1,342
Sovereign / country risk	**34**	–	13	21	14	84
Total specific provisioning	**1,274**	817	399	58	1,695	1,426
Specific provisions to average RWA *(bps)*	**55**	56	59	30	66	51

Non-performing loans

	2003	2002	2001
Total non-performing loans *(in millions of euros)*	**4,955**	6,132	5,858
Non-performing loans to private sector loans *(gross, in %)*	**2.08**	2.44	2.21
Allowances for loan losses to private sector loans *(gross, in %)*	**1.68**	1.64	1.70

the consumer portfolios. The bank's leveraged finance business remained weak as the portfolio continued to be unwound during the year.

In Brazil, a challenging banking environment and pressure on the car loan portfolio combined to drive provisions to EUR 258 million, compared with EUR 193 million a year earlier. Banco Sudameris accounted for some of the year-on-year increase. Despite these difficulties, sound product underwriting allied with a business revival in the second half of 2003 kept provisions at acceptable levels.

WCS provision trends by industry

Provisions declined to EUR 399 million from EUR 742 million in 2002 as the bank put the difficulties in the telecom and integrated energy sectors behind it. This is underscored by the improving credit quality shown, as shown by the average UCR of the WCS portfolio.

ABN AMRO remains confident about the overall quality of its portfolio and its strong credit profile. Given the brighter economic outlook, particularly in the US, management is cautiously optimistic about the provision outlook for 2004.

Cross-border and sovereign risk in the portfolio

We manage emerging market Country Risk, both sovereign and cross-border, on a portfolio basis.

Cross-border risk

Cross-border risk is defined as the risk that funds in foreign currencies cannot be transferred out of a country as a result of actions by the authorities of the country or other events (for example civil war, embargo, etc) impeding the transfer.

The measurement of cross-border risk exposure covers all on- and off-balance sheet assets that might be directly affected by a cross-border risk. ABN AMRO has been monitoring cross-border risk exposure for many years and uses a Value at Risk (VaR) model to determine the cross-border risk on the total portfolio. VaR analyses historical market trends to estimate the likelihood that a

Cross-border risk exposures

(in billions of euros for year ended 31 December) Region	Total cross-border exposure			After mitigation 1		
	2003	2002	2001	**2003**	2002	2001
Brazil	**3.2**	3.7	4.1	**0.7**	0.9	1.2
Other Latin America *(incl. Mexico)*	**3.0**	3.7	4.3	**1.9**	2.5	2.8
Asia / Pacific	**7.7**	7.1	6.8	**4.8**	4.8	5.0
Eastern Europe	**3.6**	3.0	2.9	**2.3**	1.6	2.0
Middle East and Africa	**3.1**	2.7	3.0	**2.2**	1.9	1.9
Total	**20.6**	20.2	21.1	**11.9**	11.7	12.9

1 *Mitigated exposures commonly include transactions covered by credit derivative swaps, political risk insurance, cash deposits or securities placed offshore, specific guarantees, ring fenced funding or any other mitigation instruments available in the market.*

Sovereign risk exposures

(in billions of euros for year ended 31 December) Region	Total sovereign exposure			Of which foreign currency 1		
	2003	2002	2001	**2003**	2002	2001
Brazil	**5.2**	3.7	5.0	**0.1**	0.3	2.6
Other Latin America 2	**1.4**	1.4	1.6	**0.6**	0.9	1.3
Asia / Pacific	**3.7**	3.5	2.7	**0.3**	0.6	1.7
Eastern Europe	**1.7**	1.5	1.4	**0.4**	0.8	0.7
Middle East and Africa	**1.0**	0.8	0.7	**0.6**	0.4	0.5
Total	**13.0**	10.9	11.4	**2.0**	3.0	6.8

1 *Partly included in the cross-border risk exposures.*
2 *Including Mexico.*

portfolio's losses will exceed a certain amount.

Total cross-border risk exposure in 2003 rose by 2.0% compared with 2002, mostly due to increases in Asia and Eastern Europe.

Sovereign risk

Sovereign risk is defined as the counterparty and issuer (credit) risk on a sovereign entity, irrespective of the currency involved. Sovereign entities include the central government, central bank and other entities explicitly guaranteed by the first two (but excluding lower governments).

In 2003, the bank introduced internal sovereign local currency ratings alongside its sovereign foreign currency ratings.

The sovereign risk exposure increased in 2003 mainly because of the acquisition of Banco Sudameris in Brazil. Total sovereign risk exposure rose, but the foreign exchange component fell. This was the consequence of active management to reduce foreign exchange exposure in favour of local currency exposure, which ABN AMRO regards as having a lower risk profile.

VaR by risk type

(99% confidence level, 1 day holding period) *(in millions of euros)* **Total per risk type**	For the year ended 31 December 2003		
	Minimum	Maximum	Average
Foreign exchange risk	0.6	11.0	3.3
Interest rate risk	11.0	40.4	17.5
Equity risk	3.8	18.9	11.4
Commodity risk	0.1	2.5	0.3
Total trading 1	14.1	34.3	21.7

1 *The minimum and maximum for each risk category occurred on different days and are irrelevant to the overall totals. The Total Trading portfolio VaR includes the diversification effect caused by the imperfect or negative correlations between certain risk types, and can therefore be lower than the maximum of an individual risk type.*

Market risk

Market risk is the risk that movements of financial market prices (such as interest rates, foreign exchange rates or equity prices) will change the value of the bank's trading and investment portfolios. Market risk exposure arises from trading for client transactions and from trading for the bank's own account.

Interest rate risk and currency risk associated with our non-trading activities are managed by GALM, as described below under Group Asset and Liability Management.

In trading activities, risk arises from open (unhedged) positions and from imperfect correlations between market positions which are intended to offset one another. ABN AMRO manages market risk through measuring and monitoring different market risk factors such as interest rate sensitivity, open currency positions, stock prices, spread sensitivities and greeks (delta, gamma, vega, rho). In addition, ABN AMRO calculates VaR, stress tests, scenario analyses, position concentration and ageing.

Market risk limits have been set for the above risk characteristics and the exposure is monitored on a daily basis at different levels, starting from single trading portfolios through to key aggregation levels. Monitoring, controlling and reporting of market risks within trading portfolios is the responsibility of Market Risk Management (MRM), which is in GRM. Market Risk Officers on the dealing floors control risk daily. Product Analysis & Modeling (PA&M) is responsible for the validation of new financial instruments and models. PA&M is part of GRM.

Internal models meet regulatory requirements and have been approved by the Dutch central bank for the calculation of solvency requirements for market risk. Internal approval for changes to our own models is the responsibility of GRC.

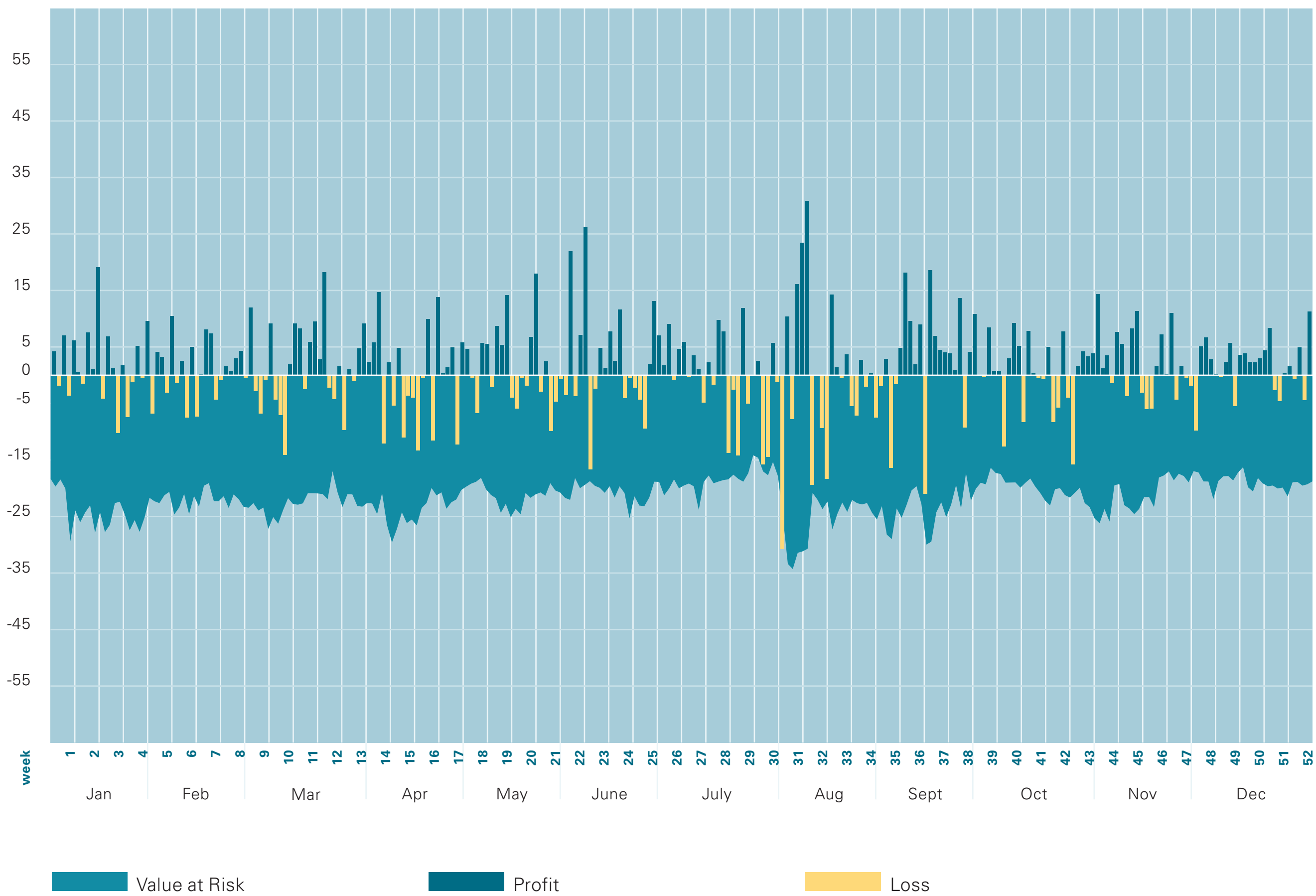
Value at Risk (VaR) is a primary tool for day-to-day monitoring of trading-related market risk. VaR is a statistical measure of the potential losses on unchanged positions which could occur because of market price movements under normal circumstances. The method adopted by the bank for the VaR calculation is Historical Simulation, based on four years of historical data. The bank uses a one-day holding period, relative changes of historical rates and prices, 99% confidence level and equally weighted simulations.

The positions captured by our VaR calculations include derivative and cash positions which are reported as trading assets and liabilities. The VaR is reported by trading portfolio, by product line and for the bank as a whole on a daily basis. It is submitted daily to the senior management of the BUs, GRM and the responsible members of the Managing Board.

Although the VaR is a good estimate under normal market circumstances, it fails to capture one-off events. The effectiveness of VaR is assessed by a technique known as back-testing, which counts the number of days when the losses are bigger than the estimated VaR figure. Theoretically, with a 99% confidence level, it may be expected that on one out of every 100 trading days a loss may occur which exceeds the VaR. The back-testing is performed both on the actual profit and loss (P&L) and a hypothetical P&L, which measures a P&L on market risk exposure against movements of financial market prices and excludes effects of commissions, origination fees and intra-day trading. The results of the back-testing on the actual and the hypothetical P&L are regularly reported to the Dutch central bank. Back-testing is an essential instrument for the validation of our internal models.

The back-testing results shown in graph 1 below shows that the hypothetical P&L only exceeded the calculated VaR on one day in 2003, which is within model expectations. The excess was caused by the unexpectedly large upward moves in short-term interest rates.

Graph 1 Value at Risk versus hypothetical Profit & Loss for trading portfolios for 2003 *(in millions of euros)*



The VaR measure is supplemented by a series of stress tests and scenario analyses which shed light on the behaviour of a portfolio and the impact on the P&L under extreme market events. Stress tests have been developed internally to reflect specific characteristics of the bank's portfolios, while scenarios are based on historical market events, for example the financial markets crisis (July-October 1998). Both stress tests and scenario analyses are performed daily for each trading portfolio and at several aggregation levels, including the bank-wide total.

Other control measures used in the market risk management process include net open positions, interest rate sensitivity per basis point, spread sensitivities, option parameters, position concentrations and position ageing. These non-statistical measures help further reduce trading risks. In addition, trading activities have been mainly concentrated in the Amsterdam, Chicago, Hong Kong, London, New York and Tokyo offices to facilitate centralised risk management control and monitoring. Given its worldwide coverage and diversified overall portfolio, ABN AMRO is not generally very sensitive to sudden sharp market movements.

Financial derivatives

Derivatives are integral to our interest rate and currency risk management. Results of derivatives transactions entered into as part of such risk management are attributed to the same reporting period as the recognition of gains and losses on the hedged assets and liabilities.

The notional amounts of derivatives, which totalled EUR 4,187 billion at 31 December 2003, indicate the scale of our derivatives business but not the related credit risk. The credit risk is the loss that would arise if a counterparty were to default and we were to face a partly open position. This actual risk is measured by the cost of replacing a defaulting counterparty and represents only a fraction of the notional amounts. We try to minimise this credit risk by entering into agreements which provide under certain circumstances for the settlement on a net basis of all contracts between a counterparty and us.

To quantify the credit risk for capital adequacy purposes, the cost of the replacement transactions, which would be necessary if a counterparty defaulted, is calculated and is then increased by a percentage of the notional amounts. The applied percentage depends on the nature and remaining maturity of the contract. The credit equivalent for our total derivatives business was calculated at EUR 45.9 billion at 31 December 2003. When weighted for the counterparty risk (mainly banks) for capital adequacy purposes, the credit equivalent represents only EUR 9.1 billion or 4.1% of total RWA at 31 December 2003.

Operational risk

Framework and governance structure

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems or from external events. This definition captures operational risk events such as IT problems, shortcomings in the organisational structure, lapses in internal controls, human error, fraud, and external threats.

ABN AMRO has a Group Operational Risk Policy and a Group Risk Framework, which together outline tasks and responsibilities at each organisational level. The Group Operational Risk Management (ORM) Committee is responsible for establishing group policies and standards on ORM and oversees throughout ABN AMRO the ORM activities, including preparations to qualify for AMA under Basel II. The group ORM Committee is chaired by ABN AMRO's CFO, and is composed of the COOs and CROs of each (S)BU and senior managers from relevant Corporate Centre functions.

The guiding principle in ORM is that management at all levels is responsible for directing and managing operational risks. ORM managers are assigned throughout the bank to assist line management in fulfilling this responsibility.

ORM programmes and tools

Information is necessary to enable line management to identify and analyse operational risks, to implement mitigating measures and to determine the effectiveness of these mitigating measures. ABN AMRO has implemented, or is in the process of implementing, a number of programmes and tools to support line management. These include:

- *Risk Self-Assessment*
A structured approach, which assists line management in identifying and assessing risks and taking corrective actions. The risks are assessed with the assistance of ORM personnel
- *Corporate Loss Database*
A database which allows for systematic registration of operational risk-related losses. It assists in the analysis of operational risks for senior management, and will provide a basis for capital allocation computations
- *External loss data*
ABN AMRO is a founding member of Operational Risk eXchange (ORX), an international data consortium. External loss data can be used to perform benchmark analyses and, in future, scenario and stress analyses
- *Risk approval process*
A comprehensive approval process which includes an explicit assessment of the operational, legal and reputation risks inherent in all new business proposals. The process includes sign-off by relevant parties and approval by an appropriate committee
- *Key risk indicators*
An approach to indicate possible changes in the operational risk profile. Key risk indicators allow for a trend analysis over time and trigger escalation procedures
- *Key operational risk control*
A reference guide which provides clear descriptions of the typical key risks and required controls for a given process. These descriptions contribute to improved risk awareness and provide input for the Risk Self-Assessment.

Environmental & social risk

In 2001 the bank set up the Environmental & Social Risk Management Unit (ESRMU) in GRM. ESRMU is responsible for formulating policies for, and identifying and analysing the environmental, social and ethical impact of, our client engagements and their indirect effect on the bank's reputation.

Since ESRMU's inception, ABN AMRO has made headway in policy development and integrating environmental, social and ethical issues into the risk management process with the main objective of contributing to sustainable development.

Recognising that employees play a pivotal role in sustainable banking practices, top management, senior executives, branch managers, client relationship managers, credit officers and risk managers underwent training to raise general environmental, social and ethical awareness. In addition, our internal project finance practitioners were trained in the Equator Principles in a workshop conducted with IFC consultants.

ESRMU is based in Amsterdam, with a coordinating office in Singapore to cover the Asia Pacific region. At subsidiary level, there are teams in Banco ABN AMRO Real and LaSalle Bank and Standard Federal Bank which carry out environmental screening.

Group Asset and Liability Management

GALM sits in Group Finance, a function of Corporate Centre, and reports to the CFO. It protects the earnings and capital position of the bank from adverse interest rate and currency movements and manages the bank's liquidity. The Group Asset Management and Liability Committee (Group ALCO), whose members are drawn from finance, treasury and risk management, has global responsibility across the SBUs. It also oversees local ALCOs in the bank's home markets. ALCOs exist in other countries, but their interest risk comes under the market risk framework monitored by GRM.

Interest rate risk

One of the core objectives of GALM is to manage the sensitivity of net interest revenue to changes in market interest rates. Group ALCO sets limits to ensure that the potential adverse impact of market movements on trading and non-trading earning is well controlled. The management and monitoring of trading-related interest rate exposure is set out in the Market risk section on pages 74-76.

Several measures are used to monitor and limit non-trading interest rate risk. Methods include scenario analysis, interest rate gap analysis and market value limits. Model-based scenario analysis is used to monitor the interest rate risk positions denominated in euros and US dollars in Europe and the US. Interest rate risk positions in other currencies and other countries are managed by gap analysis and/or market value limits, as these positions are typically less complex.

Net interest revenue is the outcome of interest received and interest paid. This involves large volumes of contracts and transactions, and numerous different products. Simulation models and estimation techniques are used to assess the sensitivity of the net interest revenue stream for movements in the shape and level of the yield curve. Assumptions about client behaviour play an important role in these calculations. This is particularly relevant for loans such as mortgages where the client has the right, but not the obligation, to repay before the scheduled maturity.

On the liability side, the repricing characteristics of savings and deposits are based on estimates since the rates are not coupled to a specified market rate. A statistical approach is used for forecasting and sensitivity analyses because it best suits these products. Although comparable with macroeconomic forecasts in many ways, this approach is based on the information in individual client contracts.

The sensitivity of net interest revenue to interest rate conditions is estimated, assuming an immediate and lasting shift of 100 bps up and 50 bps down in the term structure of interest rates. Our sensitivity analysis indicates that such an upward movement would lower net interest revenue by 4.0% in the first year after the rate jump, whereas a downward shift would lower net interest revenue by 0.2%. This analysis is based on our positions as of 31 December 2003, and is subject to certain simplifying assumptions which include no responsive action by management.

Interest rate risk associated with our US residential mortgage business

ABN AMRO is among the top ten residential mortgage originators and the top ten residential mortgage servicers in the US. We sell or securitise most of the mortgage loans we originate and retain a majority of the rights to service the residential mortgage loans we sell. The bank recognises an MSR upon sale of the loan. MSRs represent the present value of the estimated future net servicing cash flows realised over the estimated life of the loan.

The US residential mortgage banking industry is subject to complex risks. Our credit risk is minimal because ABN AMRO sells or securitises most of the residential mortgage loans it originates. However, the sensitivity of origination income and mortgage servicing rights to changes in interest rates may have a significant impact on earnings.

If interest rates are high or rising, residential mortgage loan demand may decline, leading to a fall in origination income. However, high or rising interest rates may lead to lower servicing prepayments and a corresponding reduction in amortisation costs. Conversely, if interest rates are low or falling, as in 2002 and 2003, residential mortgage loan demand may increase and origination income may go up. However, it is likely that low or declining interest rates would increase servicing portfolio prepayments and related servicing amortization costs.

If declines in interest rates are significant enough, accelerated mortgage loan refinancings and related increases in prepayments may cause declines in the value of existing mortgage servicing rights and lead to provisions for impairment. These provisions may be offset by higher future origination income, but the amount of provision and higher income may not be exactly equal. In addition, the timing of income recognition may not exactly match: the servicing provision is charged to net income immediately upon a rate change, but the higher origination income would occur over time. As a result, the size of any provision could be material to earnings in any one quarter, even if there are offsetting other sources of earnings over a full 12 month period.

ABN AMRO employs various strategies to manage the risk to net revenue over time from all sources and the risk to an immediate reduction in the fair value of its mortgage servicing rights. Derivatives and, occasionally, mortgage-backed securities are used to maintain these risks within parameters established by Group ALCO.

MSRs are hedged in the US under a fair value hedge programme and are designed to limit ABN AMRO's exposure to changes which interest rate volatility might make to the fair value of its MSR assets.

To ensure that a hedge qualifies for US GAAP, we designate and document the hedge relationship at inception. The details recorded include the particular risk management objective and strategy for the hedge relationship, including the item and risk hedged, the derivative instrument used and the method of assessing effectiveness of the hedge relationship. No components of the derivative instruments' change in fair value are excluded from the assessment of hedge effectiveness for any hedge strategy. We also assess, both at the hedge's inception and on an ongoing basis, the effectiveness of derivative instruments in our hedging strategies. If it is determined that a derivative is not, or will not continue to be, highly effective as a hedge, we discontinue hedge accounting prospectively and classify the derivative instrument as a trading instrument until designated in another hedge relationship.

The hedge instruments which we mainly use are interest rate swaps (fixed versus floating where the floating rate leg is based upon the LIBOR swap rate). Other instruments which may be employed from time to time include:

- Long and/or short futures contracts (indexed to Treasuries, eurodollars, or agencies)
- Interest rate caps and/or floors (whereby the strike rates are based upon the LIBOR swap rate, constant maturity Treasury rate or the constant maturity swap rate)
- Purchased options to enter interest rate swaps (options that would be cash settled upon exercise)
- We also occasionally use mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (Freddie Mac), the Government National Mortgage Association (Ginnie Mae) and the Federal National Mortgage Association (Fannie Mae), as hedges for MSR assets.

How mortgage servicing rights are valued is critical to the BU North America's results and, because of the inherent uncertainties, requires subjective and complex judgement by management. Management uses the sale of mortgage servicing rights and third party valuations periodically to compare its assessments with market data.

Currency risk

Currency risk exposures arise from investments in the bank's overseas operations or through trading activities. A comprehensive risk management framework seeks to manage and limit the currency risk. Group ALCO is responsible for the coordination of currency risk policies.

In trading portfolios, exposure to exchange rate movements is managed through market risk limits based on VaR. Any short or long positions are monitored to ensure compliance with the limits established by GRC. The management and monitoring of market risk, including currency risk, in our trading portfolios is set out in the Market risk section on pages 74-76.

Non-trading currency risk

Various hedge strategies are applied to net investments in our overseas operations and their profits to protect against the adverse effects from foreign currency translation into the euro.

- *Ratio hedge*

The Bank's BIS-ratios (tier-1 and tier-total capital as a portion of RWA) are protected against fluctuations in the EUR/USD rate. As both capital and RWA are subject to foreign currency translation, this is done by maintaining the BIS ratios for US dollar elements close to the overall BIS ratios.

- *Capital hedge*

Investments in overseas operations in currencies other than US dollar are hedged selectively. Hedging is considered when the expected currency loss is larger than the interest differential between the two currencies (the interest rate differential represents the cost of the hedge). Gains and losses on these capital exposures are taken through equity, as is the cost of hedging.

The position as of 31 December 2003 implies that a hypothetical increase of 10% in the value of the euro against all other currencies would have led to a EUR 390 million reduction in reserves, and vice versa. On this basis, there would have been no material impact on the bank's BIS-ratios, as the ratios are hedged against changes in the EUR/USD exchange rate.

• *Profit hedge*
Profits are hedged on a selective basis to dampen the impact of currency movements on the profit and loss account. The criteria for deciding on profit hedging are similar to those for capital hedging. As of 31 December 2002, budgeted net US dollar profit for 2003 had been sold forward at a rate of USD 0.8994 per EUR. As at 31 December 2003, budgeted net US dollar profit for 2004 had been sold forward at a rate of USD 0.9563. The US dollar profit for 2005 has been approximately 60% sold forward at a rate of USD 1.1567 and approximately 40% has been hedged outside a band ranging from USD 0.96 to USD 1.13.

Liquidity risk

Liquidity risk arises in the general funding of a bank's activities. For example, a bank may be unable to fund its portfolio of assets at appropriate maturities and rates or a bank may be unable to liquidate a position in a timely manner at a reasonable price. Capital is held to absorb unexpected losses, while liquidity is managed to ensure that sufficient funds are available to meet our known and unanticipated cash funding requirements. At all times, on a group-wide basis, we maintain what we believe are adequate levels of liquidity to meet deposit withdrawals, to repay borrowings and to fund new loans, even under stress conditions.

We manage liquidity on a daily basis throughout the countries in which we operate. Each national market is unique in terms of the scope and depth of its financial markets, competitive environment, products and customer profile. Local line management is therefore responsible for managing our local liquidity requirements under the supervision of Group ALCO.

On a day-to-day basis our liquidity management depends on, among other things, the good functioning of local and international financial markets. As this is not always the case, we have group-wide contingency funding plans. These plans are implemented if there is a dramatic change in our normal business activities or in the stability of the local or international financial markets. The Group Strategic Funding Committee has full authority to manage such a crisis. As part of this liquidity management contingency planning, we assess potential trends, demands, and commitments, events and uncertainties that could reasonably result in increases or decreases in our liquidity. More specifically, we consider the impact of these potential changes on sources of short-term funding and long-term liquidity planning.

We have entered into committed credit facilities and therefore assess, as part of our liquidity management, the reasonable contingencies inherent in these types of transactions in terms of their effect on our normal sources of liquidity and finance.

Shareholder information

ABN AMRO from 1994 *(in euros)*

	2003	2003	2002	2001
Income statement *(in millions)*		(USD)[4]		
Net interest revenue	**9,723**	**11,094**	9,845	10,090
Total non-interest revenue	**9,070**	**10,349**	8,435	8,744
Total revenue	**18,793**	**21,443**	18,280	18,834
Operating expenses	**12,585**	**14,360**	13,148	13,771
Provision for loan losses	**1,274**	**1,454**	1,695	1,426
Fund for general banking risks *(movements)*	**–**	**–**	–	–
Pre-tax profit	**4,918**	**5,611**	3,388	3,613
Group profit	**3,415**	**3,897**	2,415	2,615
Net profit	**3,161**	**3,607**	2,207	3,230
Net profit attributable to ordinary shareholders	**3,116**	**3,555**	2,161	3,184
Dividends	**1,589**	**1,813**	1,462	1,421
Balance sheet *(in billions)*				
Shareholders' equity 7	**13.0**	**16.4**	11.1	12.1
Group capital 7	**31.8**	**40.1**	30.4	34.3
Total client accounts and debt securities	**361.6**	**455.8**	360.7	384.9
Loans	**296.8**	**374.1**	310.9	345.3
Total assets	**560.4**	**706.3**	556.0	597.4
Contingent liabilities and committed facilities	**162.5**	**204.8**	180.3	193.4
Risk-weighted total assets	**223.8**	**282.1**	229.6	273.4
Ordinary share figures 1				
Number of shares outstanding *(in millions)*	**1,637.9**		1,585.6	1,535.5
Average number of shares outstanding *(in millions)*	**1,610.2**		1,559.3	1,515.2
Net earnings per share *(in euros)* 2,5	**1.94**	**2.21**	1.39	1.53
Fully diluted net earnings per share *(in euros)* 2,5	**1.93**	**2.20**	1.38	1.52
Dividend per share *(in euros, rounded)* 3	**0.95**	**1.12**	0.90	0.90
Payout ratio *(dividend / net profit)* 6	**49.0**		64.7	58.8
Net asset value per share *(year-end, in euros)* 3,7	**7.47**	**9.42**	6.47	7.34
Ratios *(in %)*				
Return on equity	**28.5**		22.6	20.5
BIS tier 1 ratio	**8.15**		7.48	7.03
BIS total capital ratio	**11.73**		11.54	10.91
Efficiency ratio	**67.0**		71.9	73.1
Number of employees *(headcount)*				
Netherlands	**31,332**		32,693	36,984
Other countries	**81,331**		73,745	74,726
Number of branches and offices				
Netherlands	**612**		627	736
Other countries	**3,106**		2,839	2,836
Number of countries and territories where present	**63**		66	67

Prior-year figures have been restated for comparison purposes.

1 *Adjusted for shares repurchased to cover staff options granted.*

2 *Based on the average number of ordinary shares outstanding and adjusted for increases in share capital.*

3 *Where necessary, adjusted for increases in share capital.*

4 *Income statement figures have been translated at the average dollar rate and balance sheet figures at the year-end dollar rate.*

2000	1999	1998	1997	1996	1995	1994
9,404	8,687	7,198	6,294	5,230	4,646	4,442
9,065	6,840	5,340	4,491	3,433	2,708	2,353
18,469	15,527	12,538	10,785	8,663	7,354	6,795
13,202	10,609	8,704	7,450	5,867	4,962	4,595
617	653	941	547	569	328	681
(32)	(20)	(101)	179	66	308	–
4,725	4,250	2,897	2,626	2,175	1,743	1,526
3,401	2,930	1,989	1,872	1,563	1,233	1,081
2,498	2,570	1,828	1,748	1,499	1,187	1,037
2,419	2,490	1,747	1,666	1,414	1,075	925
1,424	1,250	906	844	733	623	550
12.9	12.4	10.9	11.9	11.5	9.5	9.0
32.9	29.3	24.5	24.2	20.3	15.5	14.4
339.8	284.2	243.5	221.1	159.3	147.3	138.5
319.3	259.7	220.5	201.1	150.5	132.8	122.8
543.2	457.9	432.1	379.5	272.0	248.0	229.0
187.5	159.0	124.0	102.8	80.9	63.8	51.0
263.9	246.4	215.8	208.7	176.7	149.6	136.9
1,500.4	1,465.5	1,438.1	1,405.6	1,364.5	1,255.6	1,213.3
1,482.6	1,451.6	1,422.1	1,388.7	1,346.3	1,232.5	1,193.3
2.04	1.72	1.23	1.20	1.05	0.87	0.78
2.02	1.71	1.22	1.19	1.03	0.83	0.74
0.90	0.80	0.58	0.54	0.48	0.41	0.36
44.1	46.5	46.9	45.5	45.5	46.9	46.9
8.43	7.87	6.94	7.84	7.06	6.44	6.27
26.5	23.7	16.9	15.7	16.4	13.9	12.4
7.20	7.20	6.94	6.96	7.21	6.51	6.74
10.39	10.86	10.48	10.65	10.89	10.80	11.02
71.5	68.3	69.4	69.1	67.7	67.5	67.6
38,958	37,138	36,716	34,071	32,531	34,587	35,677
76,140	72,800	71,014	42,678	33,641	29,107	26,504
905	921	943	967	1,011	1,050	1,102
2,774	2,668	2,640	921	706	620	601
74	76	74	71	70	67	64

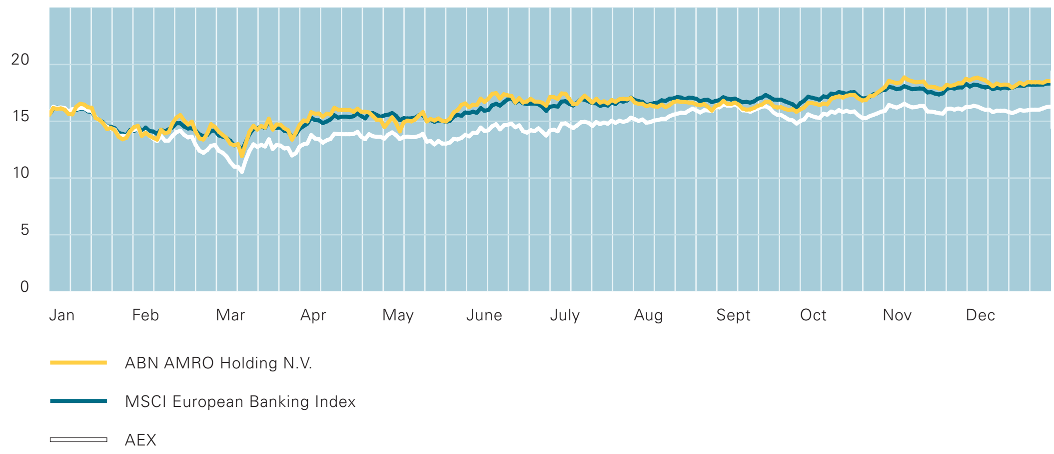
5 *2002, including special items. Excluding, net earnings per share amounted to EUR 1.52 and fully diluted net earnings per share amounted to EUR 1.51.*

6 *2002, including special items. Excluding, the payout ratio is 59.2.*

7 *Based on the directive of the Council for Annual Reporting at 1 January 2003.*

ABN AMRO shares

Share price movements January 2003 – December 2003 (in euros)
(MCSI and AEX indices restated on the basis of ABN AMRO Holding N.V. ordinary share price on 2 January 2003)



Stock exchange listings

ABN AMRO Holding N.V. ordinary shares are listed on the stock exchanges of Amsterdam, Brussels, Düsseldorf, Frankfurt, Hamburg, London, New York, Paris, Singapore and the Swiss Exchange. On the New York Stock Exchange the shares are available in the form of American Depositary Shares represented by American Depositary Receipts (ADRs), each ADR representing one ordinary share. On 31 December 2003, 53,944,253 ADRs were outstanding, compared with 61,261,393 at year-end 2002.

The depositary receipts for preference shares and the (formerly convertible) preference shares are listed on the Euronext Amsterdam.

Development of share capital

In 2003, the number of ordinary shares outstanding increased by 52.3 million from 1,585.6 million to 1,637.9 million. This increase was the result of dividend payments in stock (50.0 million shares), the exercise of staff options (0.4 million shares) and the conversion of convertible preference shares (1.9 million shares).

The time-weighted average number of ordinary shares outstanding amounted to 1,610.2 million (2002: 1,559.3 million). In calculating the time-weighted average, new shares are counted on a pro rata basis from the date of issue, except for ordinary shares issued through the conversion of convertible preference shares which are counted for the full year in which conversion takes place.

The number of preference shares remained unchanged at 362.5 million. At 31 October 2003 the conversion period for the convertible preference shares ended according to issuing

Rights at 31 December 2003

(in thousands of shares)

Year of expiration	Staff options	Average exercise price (in euros)
2004	**10,317**	20.84
2005	**5,652**	21.18
2007	**4,542**	21.30
2008	**9,571**	22.73
2009	**4,412**	20.42
2010	**898**	15.06
2012	**9,759**	19.11
2013	**13,998**	14.45
	59,149	19.30

conditions. Up to 31 October 2003, 476,315 convertible preference shares had been converted into 1.9 million ordinary shares. The remaining 44,988 convertible preference shares were changed into (non-convertible) preference shares.

Staff options carry entitlement to the numbers of ordinary shares stated in the table below.

If fully exercised, staff options could increase the number of ordinary shares by 59.1 million or 3.6% of the number of ordinary shares outstanding at 31 December 2003.

Dividend policy

Both the interim dividend and the final dividend have been made available, at the shareholder's option, either wholly in cash or wholly in ordinary shares chargeable to the share premium account.

The period for submitting instructions concerning final dividend payment options will not commence until the closing of the business day after the day of the General Meeting of Shareholders. If shareholders opt for stock dividend, the dividend coupons must be delivered to the ABN AMRO Exchange Agent together with the instructions. Consequently there will be no official listing of, and trading in, stock dividend coupons.

In the long term, the intention is to maintain the dividend payout ratio at 45% – 50% of net profit.

Depositary receipts for preference shares

At year-end 2003, 362.5 million depositary receipts for preference shares of EUR 2.24 face value each were outstanding. Holders of preference shares receive an annual cash dividend of EUR 0.12432 per share, representing 5.55% of the face value of

Authorised capital

(in euros)

4,000,000,400	ordinary shares	of EUR 0.56	2,240,000,224
1,000,000,000	preference shares	of EUR 2.24	2,240,000,000
100,000,000	convertible preference shares	of EUR 2.24	224,000,000
			4,704,000,224

Issued capital at 31 December 2003

(in euros)

1,643,220,517	ordinary shares	of EUR 0.56	920,203,489.52
362,503,010	preference shares	of EUR 2.24	812,006,742.40
44,988	(formerly convertible) preference shares	of EUR 2.24	100,773.12
			1,732,311,005.04

Ordinary share key figures

(in euros)	2003	2002	2001
Closing prices			
• high	**18.88**	22.78	27.80
• low	**11.93**	10.45	15.78
• year-end	**18.55**	15.58	18.09
Earnings per share 1	**1.94**	1.39	1.53
Fully diluted earnings per share	**1.93**	1.38	1.52
Payout ratio in % 2	**49.0**	64.7	58.8
Dividend per share	**0.95**	0.90	0.90
Dividend yield in % *(year-end)*	**5.1**	5.8	5.0
Net asset value per share *(year-end)*	**7.47**	6.47	7.34
Price / earnings ratio *(year-end)*	**9.6**	11.2	11.8
Price / net asset value in %	**248.3**	240.8	246.5

1 *Based on the average number of ordinary outstanding and adjusted for increases in share capital (2002, including special items).*
2 *Ratio of dividend to net earnings per share (2002, including special items).*

Dividends on ordinary shares

	Entirely in cash	or Cash	and shares as % of face value	New shares (x 1,000)	Payout ratio
Interim dividend 1994	0.17	0.04	2% ordinary shares	13,316	
Final dividend 1994	0.20		2.9% ordinary shares	23,961	46.9
Interim dividend 1995	0.18		2.3% ordinary shares	11,074	
Final dividend 1995	0.23		2.2% ordinary shares	10,453	46.8
Interim dividend 1996	0.20		1.9% ordinary shares	8,968	
Final dividend 1996	0.27		1.6% ordinary shares	14,697	45.4
Interim dividend 1997	0.24		1.4% ordinary shares	11,882	
Final dividend 1997	0.30		1.3% ordinary shares	13,058	45.5
Interim dividend 1998	0.27		1.4% ordinary shares	13,451	
Final dividend 1998	0.30		1.4% ordinary shares	14,045	46.9
Interim dividend 1999	0.30		1.2% ordinary shares	8,339	
Final dividend 1999	0.50		2.2% ordinary shares	13,990	46.5
Interim dividend 2000	0.40		1.4% ordinary shares	14,293	
Final dividend 2000	0.50		2.2% ordinary shares	19,508	55.2
Interim dividend 2001	0.45		2.3% ordinary shares	19,554	
Final dividend 2001	0.45		2.2% ordinary shares	19,298	58.8
Interim dividend 2002	0.45		2.8% ordinary shares	25,068	
Final dividend 2002	0.45		3.0% ordinary shares	23,599	59.2
Interim dividend 2003	0.45		2.8% ordinary shares	26,412	

Daily ordinary share turnover in 2003

(in thousands and counted twice)

	Euronext Amsterdam	NYSE (ADRs)
High	22,031.9	1,194.9
Low	496.1	41.4
Average	7,983.2	239.4

Daily preference share turnover on Euronext Amsterdam in 2003

(in thousands and counted twice)

	Depositary receipts for preference shares	Convertible preference shares
High	775.0	19.8
Low	0.5	0.0
Average	37.3	1.4

EUR 2.24. In accordance with the articles of association of ABN AMRO Holding N.V., the dividend percentage on the preference shares and depositary receipts for preference shares has been fixed at 5.55%, as of 1 January 2001. As of 1 January 2011, and every ten years thereafter, the dividend percentage will be adjusted in line with the average redemption yield on the five longest-dated Dutch government bonds, plus an increment of not less than 25 nor more than 100 bps, depending on the prevailing market conditions.

On 31 December 2003, 44,988 (formerly convertible) preference shares of EUR 2.24 face value each were outstanding. These shares qualify for an annual cash dividend of EUR 0.95 per share, which represents 3.3231% of the paid-up amount on issue (EUR 28.58815), as of 1 January 2004. As of 1 January 2014, and every ten years thereafter, the dividend percentage will be adjusted in line with the redemption yield on Dutch government bonds with an original or remaining term to maturity of nine to ten years, plus an increment or less a reduction of no more than 100 bps.

Geographical concentration of ABN AMRO ordinary shares

Foreign investors hold approximately 68% of ABN AMRO Holding N.V. ordinary shares outstanding. The major geographical concentrations worldwide outside the Netherlands are the UK (approximately 21%) and US (approximately 21%). Institutional investors hold approximately 85% of the total number of ordinary shares outstanding.

Major shareholders

The institutions listed in the table reported the following holdings of ABN AMRO Holding N.V. shares under the Disclosure of Major Holdings in Listed Companies Act. The interests are shown as a percentage of the total number of ordinary shares and depositary receipts for preference shares outstanding at year-end 2003.

Depositary receipts for preference shares are issued by Stichting Administratiekantoor ABN AMRO Holding. This foundation held 99.99% of the outstanding preference shares at year-end 2003.

Disclosure of major shareholders*

(in %)	Ordinary Shares	Preference shares or depository receipts
Aegon N.V.	0.35	13.54
Fortis Utrecht N.V.	0.54	15.72
Delta Lloyd Leven	0.73	9.90
ING Groep N.V.	8.32	17.64
Rabobank Nederland	0.07	10.61
De Zonnewijser (investment fund)	–	14.19
Capital Group International, Inc	5.20	–

* *Shareholders with 5.0% or more of total nominal capital.*

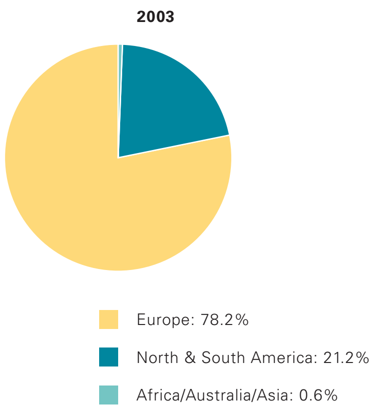
In connection with the listing of its ordinary shares on the New York Stock Exchange, ABN AMRO will also publish an annual report that satisfies the rules established by the SEC. Limited numbers of copies of these 20-F reports are available from the Investor Relations Department.

Indices

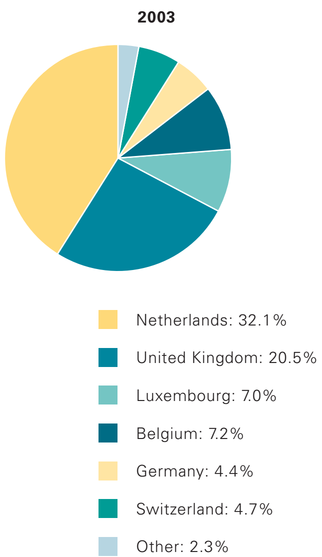
The ABN AMRO Holding N.V. ordinary share is included in the following key indexes:

AEX	*MSCI Euro Index*
S&P Euro Index	*FTSE Eurotop 100*
DJ Euro Stoxx 50 Index	*FTSE Eurotop 300*
DJ Sustainability Indexes	*FTSE4Good Index*

Geographical concentration
Worldwide:



Geographical concentration
Europe (% of worldwide):



Market capitalisation

(year-end, in millions of euros)	**2003**	2002	2001
Ordinary shares *(outstanding)*	**30,383**	24,704	27,778
Preference shares	**841**	776	794
Convertible preference shares	**–**	30	47
(Formerly convertible) preference shares	**1**	–	–
	31,225	25,510	28,619
Market capitalisation as % of capitalised value of all listed Dutch ordinary shares	**8.1%**	6.9%	5.3%

Credit ratings

	Long-term	Short-term
Moody's	Aa3	P-1
Standard & Poor's	AA-	A-1+
FitchIBCA	AA-	F1+

Financial calendar 2004

28 April	Announcement of 2004 first quarter results
29 April	General Meeting of Shareholders
3 May	Ex-dividend quotation
3 May – 17 May	Period for instructions concerning 2003 final dividend payment option
18 May *(after close of trading)*	Determination of stock price
24 May	Final dividend for 2003 available
2 August	Announcement of 2004 second quarter results
29 October	Announcement of 2004 third quarter results

Financial calendar 2005

7 February	Announcement of 2004 full year results
31 March	Publication of Annual Report 2004 and 20-F
28 April	Announcement of 2005 first quarter results
28 April	General Meeting of Shareholders
1 August	Announcement of 2005 second quarter results
31 October	Announcement of 2005 third quarter results

Investor Relations

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ABN AMRO peer group

Our corporate measure of success is TRS. The TRS is measured against those of 20 competitors which have been selected as our peer group. The group is listed below[1]. Our goal is to be in the top five of the peer group at the end of 2004. We started measuring our position from the beginning of January 2001. Our peer group position at year-end 2003 was 13. You can find a TRS graph showing our relative performance at www.abnamro.com.

Bank One	Credit Suisse Group	ING Group	Nordea
Barclays	Deutsche Bank	JPMorganChase	SCH
BBVA	Fleet Boston	Lloyds TSB	Société Générale
BNP Paribas	HSBC Holdings	Merrill Lynch	UBS
Citigroup	HVB Group	Morgan Stanley	Wells Fargo

1 *Position as of year-end 2003. Bank One and JPMorganChase have since announced that they would merge.*

What may affect ABN AMRO and your investment in it

The company's results from operations and its financial condition may be affected by uncertain or unfavourable economic, market, legal and other conditions. These factors and variables may include, among others:

General economic conditions and other business conditions

Our results are affected by general economic and other business conditions. These conditions include changing economic cycles which affect demand for investment and banking products. Such cycles are influenced by global political events, such as terrorist acts, war and other hostilities, and by market specific events, such as shifts in consumer confidence, industrial output, labour or social unrest and political uncertainty. Such factors have had and will continue to have an impact on client-related demand for our products and on the potential of some clients to fulfil their credit obligations to us.

Changes in interest rates and foreign exchange rates

Fluctuations in interest rates and foreign exchange rates, particularly in our three home markets of the Netherlands, the US Midwest and Brazil, also influence our performance and financial condition. Such interest rate fluctuations could have an unfavourable impact on valuations and change clients' appetite for our products. In addition, a significant portion of our earnings are subject to foreign exchange rates, especially the US dollar and Brazilian real. The effect of foreign exchange rate changes and the ability to dampen this impact through hedging could have an unfavourable impact on the operating results and valuation of assets and liabilities held in currencies other than the euro.

Competitive pressures

There is substantial competition for the types of banking and other products and services that we provide. Such competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. 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 activities.

Regulatory and Legal

Regulatory and legal changes in the jurisdictions where we operate, and legal actions involving ABN AMRO, could have unfavourable consequences for the company's businesses and results.

Operational risk

We, like all financial institutions, are exposed to many types of operational risk. Although we maintain controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future.

A full description of risk factors is in ABN AMRO's 20-F filing with the SEC and is available on our website, www.abnamro.com.

Financial statements 2003

Contents

Accounting policies

General

The financial statements have been prepared in conformity with generally accepted accounting principles in the Netherlands. Where necessary, the amounts reported in the financial statements are based on estimates and assumptions.

Since ABN AMRO Holding N.V. ordinary shares are listed on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts, ABN AMRO also publishes an annual report (Form 20-F) that conforms to the US Securities and Exchange Commission (SEC) rules, including those relating to the format and content of the notes to the financial statements. In addition, the annual report includes an analysis of equity and results according to accounting principles generally accepted in the US (US GAAP).

Changes in accounting policies

With effect from 1 January 2003, in conformity with the modified Guidelines for Annual Reporting in the Netherlands, the amount of ordinary share dividend expected to be payable is no longer accounted for as an obligation but forms part of shareholders' equity until the shareholders have approved the proposed profit appropriation. As at 1 January 2003, the effect of this change on shareholders' equity was EUR 300 million.

Also with effect from 1 January 2003, the definitions of extraordinary revenue and expenses have been revised. The narrower definition of extraordinary items means that items formerly presented as extraordinary result are now classified within ordinary operations. The income statement for 2002 has been revised accordingly.

Basis for inclusion of financial instruments

A financial instrument is accounted for as an asset or liability from the time the respective contractual rights or obligations accrue to the company. Whenever this ceases to be the case, a financial instrument is no longer recognised in the balance sheet. If ABN AMRO has the right on the grounds of legal or contractual provisions and the intention to settle financial assets and liabilities net or simultaneously, they are netted-off in the balance sheet.

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities, revenues and expenses of ABN AMRO Holding N.V., its subsidiaries and other group companies that form an organisational and economic entity with it. A group company is an entity over which ABN AMRO has the power to govern its financial and operational policy and to obtain the majority of its benefits unless the investment is intended not to be permanent. Special purpose entities which meet these criteria, such as entities established to securitise assets bought from ABN AMRO, are treated as a group company as well. Entities are consolidated from the date on which control is transferred to ABN AMRO and cease to be consolidated from the date that control ceases. Minority interests in both equity and results of subsidiaries and other group companies are stated separately. Jointly controlled entities are consolidated proportionally to ABN AMRO's interest in them.

Goodwill

Goodwill may arise on the acquisition of group companies, joint ventures and significantly influential participating interests. It represents the excess of the cost of an acquisition over the fair value of ABN AMRO's share of the net assets acquired, as measured at the date of acquisition. Goodwill is not capitalised but is charged to shareholders' equity according to one of the options permitted under Dutch law.

Currency translation

Assets and liabilities denominated in foreign currencies and financial instruments hedging these assets and liabilities are translated into euros at the spot rates of exchange prevailing at balance sheet date. Translation differences are taken to the income statement. With the exception of capital investments in hyper-inflationary countries, translation differences on capital investments in foreign branches, subsidiaries and participating interests, including retained profit, are accounted for in shareholders' equity together with the results from related hedging instruments, after allowing for taxation.

Results on transactions denominated in foreign currencies are translated at the rates prevailing at transaction date or, insofar as accruals and deferrals are involved, on the last day of the month to which the results relate. Results of foreign branches, subsidiaries and participating interests, apart from those in hyper-inflationary countries, are translated at the rates prevailing at the end of the month in which the results are recognised. The results from branches, subsidiaries and participating interests in hyper-inflationary countries are translated at the rates prevailing at balance sheet date, after restating the local currency results for the effects of inflation.

Valuation and determination of results

General

Except where otherwise stated, assets and liabilities are recorded at cost, less any allowance deemed necessary. The effects of transactions and other events are recognised when they occur; revenues and expenses are recognised in the year to which they relate. Premiums and discounts are accounted for in prepayments and accrued income or accruals and deferred income respectively, and are attributed to the accounting periods throughout the remaining terms of the underlying items.

Except for items forming part of the trading portfolio, interest-earning and interest-bearing securities on which a large part or all of the interest receivable or payable is settled on redemption are included at either purchase price or discounted value on issue plus accrued interest.

Where financial instruments are used to hedge risks associated with designated assets or liabilities, the valuation and determination of results on these instruments are in accordance with the policies applied to the hedged items. Transactions qualify as hedges if they are identified as such and there is a substantial correlation between the hedging results and the results of the positions being hedged. Gains or losses on the early termination of a hedge are recognised as assets or liabilities and amortised over the remaining terms of the hedged positions. If financial instruments are used to hedge risks associated with designated assets or liabilities and the hedged assets or liabilities are sold or terminated, such financial instruments no longer qualify as hedges. Results on the settlement of the hedge are accounted for in the same period as gains or losses on the settlement of the hedged position. Accounting policies relating to other financial instruments are explained in the section on trading activities.

Where loan-related fees exceed initial expenses, the excess is accounted for as interest in the period concerned. Acquisition commissions paid by the life insurance subsidiary to third parties and the banking operation are capitalised as initial expenses and amortised. Expenses arising from the issuance of ordinary and preference shares are charged to shareholders' equity.

Loans

Loans are generally shown at the principal amount. Loans are classified as doubtful as soon as there is any doubt about the borrower's capacity to meet its payment obligations to the bank. Where deemed necessary, an allowance for loan losses is determined on a per item basis, taking into account the value of collateral. Allowances for the consumer loans portfolio are determined on a portfolio basis with a specific provision for each product being determined by the size of the portfolio and historical loss experience. New allowances and changes in existing allowances are recognised in provision for loan losses in the income statement.

'Non-performing' loans are doubtful loans that are placed on a non-accrual basis, which means that the contractual interest is no longer recognised in the income statement. Such unrecognised interest is then either (i) booked into a suspense account, or (ii) if for administrative reasons it cannot be booked as a specific unpaid interest claim, it is booked directly into the specific allowance for loan losses. When actually received, interest on non-performing loans is only recognised as interest revenue if the principal is expected to be fully collected. Doubtful loans are not written off until it is clear that repayment of principal can be ruled out.

The fund for general banking risks aims to cover general risks related to credits. The related deferred tax assets are deducted from the fund.

Trading activities

Securities held in the trading portfolios are stated at market value. Debentures of ABN AMRO group companies, acquired as part of trading activities, are stated at the lower of market value or purchase price. Foreign exchange contracts, stock, bond, currency and other options, as well as interest rate contracts such as interest rate swaps and forward rate agreements, are stated at market value. The aggregate market value of these contracts is included in other assets or other liabilities. Gains or losses resulting from the method of valuation described are recognised in the income statement in results from financial transactions.

Financial and other fixed assets

Investments

Interest-earning securities (other than securities on which a large part or all of the interest is settled on redemption) held in the investment portfolios are stated at redemption value. Shares held in these portfolios are included at market value, with changes in value, net of tax, reflected in shareholders' equity. If the revaluation reserve formed in this manner on a portfolio basis is insufficient to absorb diminutions in value, they will be charged to the income statement in value adjustments to financial fixed assets. Results on sales are credited to the income statement in the year the investments are sold. Net capital gains on interest-bearing securities realised prior to redemption date in connection with replacement operations are recognised as interest over the remaining average portfolio duration. Investments which are held under insurance contracts for the account and risk of policyholders are carried at market value; changes in the value of these investments are accounted for as other revenue (profits or losses of insurance companies).

Shares as part of venture capital activities

Equity investments, i.e. shares acquired as part of venture capital activities, are stated at purchase price or sustained lower market value. Changes in value are reflected in the income statement.

Participating interests

Participating interests in which ABN AMRO or one of its subsidiaries has a significant influence on commercial and financial policy are stated at net asset value in conformity with the policies applied in these financial statements. Significant influence is assumed when ABN AMRO is represented on the board of directors or an equivalent governing body of the investee even when ABN AMRO holds less than 20% of the voting power of the investee. In accordance with these policies, movements in net asset value are recorded in shareholders' equity, such as revaluations and goodwill, or in the income statement. Tax payable on distributions is taken into account at the moment of the decision to make a distribution.

Other participating interests, consisting principally of equity investments in companies in related lines of business, are shown either at market value at balance sheet date (listed participating interest) or at estimated realisable value (unlisted participating interest). Movements in the value of participating interests on which the bank does not exercise an influence are recorded, net of tax, in shareholders' equity. If the revaluation reserve formed in this manner for each participating interest is insufficient to absorb diminutions in value, such diminutions will be charged to the income statement in value adjustments to financial fixed assets.

Property and equipment

Premises used in operations, including land, are stated at current value based on replacement cost. These current values are estimated on a rolling basis by external appraisers, whereby each year at least 10% of the bank's buildings is appraised. The value of larger fittings is estimated once every five years. Buildings and fixtures and fittings are fully depreciated by the straight-line method over their estimated useful life, up to a maximum of 50 years. Movements in value, net of tax, are credited or charged to shareholders' equity on a long-term basis. Capital expenditures on rented premises are capitalised and also depreciated on a straight-line basis, taking into account the term of the lease.

Building sites, commercial property projects and residential property under construction are stated at cost incurred, including interest, and net of provisions as required. However, on large-scale, long-term development projects on which the result can be realiably measured the result is recognised in accordance with the percentage-of-completion method.

Unsold property held for sale is stated at the lower of cost, including interest during the construction phase, or the estimated proceeds from sale.

Investment property is stated at fair value and all changes in the fair value are taken into the income statement.

Equipment, computer installations, software bought from third parties and the costs of internally developed software which relates to the development stage are stated at cost less straight-line depreciation over the estimated useful life, namely:

- Equipment 5 to 12 years
- Computer installations 2 to 5 years
- Software 3 years.

Mortgage servicing rights

Mortgage servicing rights are capitalised at the lower of initial carrying value, adjusted for amortisation or fair value. The amortisation is in proportion to, and over the period of, net estimated servicing income.
The carrying value includes deferred gains and losses on early terminated derivative hedges. The fair value of servicing rights is determined by estimating the present value of future net cash flows, taking into consideration prepayments speeds, discount rates, servicing costs and other economic factors. The fair value of hedges is included in evaluating possible impairment. Mortgage servicing rights are classified as other assets.

Provisions

Pension or other retirement plans have been established for the employees in the Netherlands and the majority of staff employed outside the Netherlands in accordance with the regulations and practices of the countries in question. Most of these plans are administered by separate pension funds or third parties. The obligations are regarded as own obligations of ABN AMRO, irrespective of whether these are administered by a pension fund or in some other manner. Viewed against this background, the nature and substance of the plans are decisive for their treatment in the financial statements. In this respect, a distinction is made between defined contribution plans and defined benefit plans.

Defined benefit plan pension obligations are calculated in accordance with the projected unit credit method of actuarial cost allocation.

Under this method, the present value of pension and other employee benefit obligations is determined on the basis of the number of active years of service up to balance sheet date, the estimated salary scale at the time of the expected retirement date and the market rate of interest on high-quality corporate bonds.

To determine the pension costs, the expected return on the plan assets is included in the calculation. Differences between the expected and actual return on the plan assets, as well as actuarial changes, are only recorded in the income statement if the total of these accumulated differences and changes exceeds a bandwidth of 10% of the largest of obligations under the plan or the fair value of the related plan assets. The part which exceeds the bandwidth is taken to the income statement over the members' remaining years of service. Additions in defined benefit obligations resulting from revised plans regarding prior-service periods (prior-service cost) are also not recognised immediately in the period these benefits are vested but taken to the income statement over the members' remaining years of service. Any differences thus calculated between the pension costs and the contributions payable are accounted for as provision or prepayments. If the accumulated benefit obligation (the defined benefit obligation without considering future salary increases) exceeds the fair value of the plan assets of the pension fund, an additional liability (provision for pension obligations) may be required. This will be the case if this excess is greater than the provision for pension obligations already accounted for, taking into account the method described above.

If an additional provision for pension obligations is recognised, an equal amount, but not an amount which exceeds the amount of unrecognised prior-service cost, is recognised as an intangible asset. Any amount not recognised as an intangible asset will be charged to shareholders' equity. Obligations relating to the early retirement of employees are treated in this context as pension obligations.

In the case of defined contribution plans, contributions owing are charged directly to the income statement in the year to which they relate.

Provisions for other post-retirement benefits, chiefly consisting of contributions to health insurance, and for payments to non-active employees, are also computed on actuarial assumptions.

Insurance fund liabilities relate chiefly to provisions for life insurance. These are determined using actuarial methods and on the basis of the same principles as those used to calculate the premium. These provisions are periodically tested against changes in mortality statistics, interest rates and costs, and increased whenever deemed inadequate.

Technical provisions for plan assets exposure borne by policyholders are determined using the same principles as are applied to the valuation of the underlying plan assets.

Except for deferred tax liabilities, other provisions for commitments and risks are included at face value.

Taxes

In determining the effective tax rate, all timing differences between pretax profit determined on the basis of ABN AMRO accounting policies and the taxable amount in accordance with tax legislation, are taken into account. Deferred tax assets and liabilities are discounted to their present value on the basis of the net interest. Deferred tax assets are accounted for only if there is sufficient assurance about their collectibility. The addition to or withdrawal from the fund for general banking risks is taken into account when determining the effective tax rate. Taxes related to movements in the value of assets and liabilities which are directly debited or credited to shareholders' equity are directly booked to shareholders' equity as well.

Consolidated balance sheet at 31 December 2003

(in millions of euros)	2003	2002
Assets		
Cash 1	**12,734**	9,455
Short-dated government paper 2,5	**9,240**	3,901
Banks 3	**58,800**	41,924
Loans to public sector	***5,489***	*7,365*
Loans to private sector	***234,776***	*247,229*
Professional securities transactions	***56,578***	*56,309*
Loans 4	**296,843**	310,903
Interest-earning securities 5	**132,041**	141,494
Shares 5	**16,245**	15,736
Participating interests 6	**2,629**	2,166
Property and equipment 7	**7,204**	6,982
Other assets 8	**16,548**	15,148
Prepayments and accrued income 9	**8,153**	8,309
	560,437	556,018
Liabilities		
Banks 10	**110,887**	95,884
Savings accounts	***73,238***	*74,249*
Deposits and other client accounts	***168,111***	*165,034*
Professional securities transactions	***48,517***	*50,178*
Total client accounts 11	**289,866**	289,461
Debt securities 12	**71,688**	71,209
Other liabilities 8	**33,207**	45,682
Accruals and deferred income 9	**11,840**	10,120
Provisions 13	**11,146**	13,238
	528,634	525,594
Fund for general banking risks 14	**1,143**	1,255
Subordinated debt 15	**13,900**	14,278
Shareholders' equity 16	***13,047***	*11,081*
Minority interests 17	***3,713***	*3,810*
Group equity	**16,760**	14,891
Group capital	**31,803**	30,424
	560,437	556,018
Contingent liabilities 23	**42,838**	44,176
Committed facilities	**119,675**	136,122

Numbers stated against items refer to the notes.

Consolidated income statement for 2003

(in millions of euros)	2003	2002	2001
Revenue			
Interest revenue	***23,529***	*27,370*	*35,013*
Interest expense	***13,806***	*17,525*	*24,923*
Net interest revenue **26**	**9,723**	9,845	10,090
Revenue from securities and participating interests **27**	**269**	369	455
Commission revenue	***5,160***	*5,421*	*5,793*
Commission expense	***696***	*782*	*579*
Net commissions **28**	**4,464**	4,639	5,214
Results from financial transactions **29**	**1,993**	1,477	1,552
Other revenue **30**	**2,344**	1,950	1,523
Total non-interest revenue	**9,070**	8,435	8,744
Total revenue	**18,793**	18,280	18,834
Expenses			
Staff costs **31**	***7,080***	*7,407*	*7,653*
Other administrative expenses **32**	***4,575***	*4,647*	*5,161*
Administrative expenses	**11,655**	12,054	12,814
Depreciation **33**	**930**	1,094	957
Operating expenses	**12,585**	13,148	13,771
Provision for loan losses **34**	**1,274**	1,695	1,426
Value adjustments to financial fixed assets **36**	**16**	49	24
Total expenses	**13,875**	14,892	15,221
Operating profit before taxes	**4,918**	3,388	3,613
Taxes **37**	**1,503**	973	998
Operating profit after taxes	**3,415**	2,415	2,615
Extraordinary revenue **38**	**–**	–	962
Extraordinary expenses **38**	**–**	–	147
Taxes on extraordinary result	**–**	–	(52)
Extraordinary result after taxes	**–**	–	867
Group profit after taxes	**3,415**	2,415	3,482
Minority interests **39**	**254**	208	252
Net profit	**3,161**	2,207	3,230
Earnings per ordinary share **40**	**1.94**	1.39	2.10
Fully diluted earnings per ordinary share **40**	**1.93**	1.38	2.09
Dividend per ordinary share	**0.95**	0.90	0.90

Numbers stated against items refer to the notes.

Consolidated cash flow statement for 2003

(in millions of euros)	2003	2002	2001
Group profit	**3,415**	2,415	3,482
Depreciation	**930**	1,006	957
Provision for loan losses	**1,274**	1,695	1,426
Movement in provisions	**287**	(723)	(580)
Movement in interest receivable	**(1,236)**	2,277	383
Movement in interest payable	**2,092**	(1,387)	(1,660)
Movement in current tax	**226**	331	595
Other accruals and deferrals	**908**	91	811
Government paper and securities, trading	**(6,546)**	(2,311)	(835)
Other securities	**(1,500)**	3,865	4,975
Banks, other than demand deposits	**839**	1,238	(4,351)
Loans	**(4,638)**	1,888	1,135
Professional securities transactions *(included in loans)*	**(4,158)**	5,890	(9,241)
Total client accounts	**14,741**	(3,451)	8,292
Professional securities transactions *(included in total client accounts)*	**6,661**	4,658	8,971
Debt securities, excluding debentures and notes	**(4,616)**	1,324	2,962
Other assets and liabilities	**(10,673)**	(14)	(1,597)
Net cash flow from operations / banking activities	**(1,994)**	18,792	15,725
Purchase of securities for investment portfolios	***(151,771)***	*(144,584)*	*(99,189)*
Sale and redemption of securities from investment portfolios	***148,015***	*122,697*	*77,199*
Net outflow	**(3,756)**	(21,887)	(21,990)
Investments in participating interests	***(1,010)***	*(479)*	*(4,977)*
Sale of investments in participating interests	***364***	*280*	*1,752*
Net outflow	**(646)**	(199)	(3,225)
Capital expenditure on property and equipment	***(1,563)***	*(1,292)*	*(1,611)*
Sale of property and equipment	***491***	*497*	*414*
Net outflow	**(1,072)**	(795)	(1,197)
Net cash flow from investment activities	**(5,474)**	(22,881)	(26,412)
Increase in group equity	**1,281**	106	(126)
Repayment of preference shares	**(1,258)**	0	(415)
Issue of subordinated debt	**1,025**	114	4,048
Repayment of subordinated debt	**(164)**	(964)	(1,615)
Issue of debentures and notes	**19,426**	8,815	11,865
Repayment of debentures and notes	**(10,236)**	(7,349)	(4,003)
Cash dividends paid	**(915)**	(999)	(1,108)
Net cash flow from financing activities	**9,159**	(277)	8,646
Cash flow	**1,691**	(4,366)	(2,041)

For details refer to note 43.

Changes in shareholders' equity in 2003

(in millions of euros)	2003	2002	2001
Ordinary shares			
Opening balance	**890**	862	851
Exercised options and warrants	**–**	2	–
Conversion of convertible preference shares	**1**	1	–
Stock dividends	**28**	25	22
Redenomination	**–**	–	(11)
Closing balance	**919**	890	862
(Convertible) Preference shares			
Opening balance	**814**	815	825
Conversion	**(1)**	(1)	–
Dematerialisation	**–**	–	(10)
Closing balance	**813**	814	815
Share premium account			
Opening balance	**2,543**	2,504	2,518
Exercised options and conversion	**1**	63	8
Conversion of convertible preference shares	**1**	1	–
Release from general reserve due to staff options	**32**	–	–
Stock dividends	**(28)**	(25)	(22)
Closing balance	**2,549**	2,543	2,504
General reserve and reserves prescribed by law			
Opening balance	**8,933**	8,161	8,751
Net profit, available to holders of ordinary shares	**3,116**	2,161	3,184
Cash dividends paid	**(655)**	(599)	(606)
Goodwill and dilution of minority participating interest	**(425)**	(201)	(3,186)
Impact change in accounting policy pension costs	**–**	(430)	–
Addition to share premium account due to staff options	**(32)**	–	–
Addition to/release from provision pension obligations	**14**	(374)	–
Realised revaluations from revaluation reserve	**–**	186	–
Other	**215**	29	18
Closing balance	**11,166**	8,933	8,161
Revaluation reserves			
Opening balance	**124**	355	300
Realised revaluations to general reserve	**–**	(186)	–
Revaluations	**159**	(45)	55
Closing balance	**283**	124	355
Exchange differences reserve			
Opening balance	**(2,098)**	(476)	(326)
Currency translation differences	**(466)**	(1,622)	(150)
Closing balance	**(2,564)**	(2,098)	(476)
Treasury stock			
Opening balance	**(125)**	(123)	(21)
Increase (decrease)	**6**	(2)	(102)
Closing balance	**(119)**	(125)	(123)
Total shareholders' equity	**13,047**	11,081	12,098

Notes to the consolidated balance sheet and income statement *(unless otherwise stated, all amounts are in millions of euros)*

1 Cash

This item includes legal tender and demand deposits with central banks in countries in which the bank has a presence.

2 Short-dated government paper

This item includes securities issued by public authorities, such as treasury paper, with original terms of two years or less, provided they can be refinanced with a central bank.

3 Banks (assets)

This item includes receivables, including professional securities transactions, from credit institutions, central banks and multilateral development banks not already recognised in cash. Securitised receivables are included in interest-earning securities or shares.

	2003	2002
Professional securities transactions	**40,922**	27,644
Demand deposits	**4,299**	4,692
Time deposits	**9,831**	7,135
Loans from banks	**3,748**	2,453
Total banks *(assets)*	**58,800**	41,924

4 Loans and credit risk

This item includes amounts receivable in connection with loans, including professional securities transactions, insofar as these are not recognised in the banks item. Securitised receivables are included in interest-earning securities or shares.

In granting facilities and loans, the bank incurs a credit risk, i.e. the risk that the receivable will not be paid. This primarily concerns the balance sheet items banks, loans and interest-earning securities and off-balance sheet items. Concentration of credit risk could result in a material loss for the bank if a change in economic circumstances were to affect a whole industry or country.

Sector analysis of loans

	2003	2002
Public sector	**5,494**	7,371
Commercial	**130,983**	142,296
Retail	**107,706**	108,965
Professional securities transactions	**56,578**	56,309
Allowances for loan losses and sovereign risks	**(3,918)**	(4,038)
Loans	**296,843**	310,903

Collateral for private sector loans

Collateral is frequently demanded in connection with lending operations. The following tables analyse private sector loans by type of collateral. Unsecured loans also include loans for which the bank has the right to require collateral.

	2003	2002
Commercial		
Public authority guarantees	**11,382**	10,313
Mortgages	**28,074**	20,859
Securities	**1,006**	1,764
Bank guarantees	**3,113**	2,896
Other types of collateral and unsecured	**87,408**	106,464
Total commercial loans	**130,983**	142,296
Retail		
Public authority guarantees	**50**	472
Mortgages	**80,794**	85,455
Other types of collateral and unsecured	**26,862**	23,038
Total retail loans	**107,706**	108,965

Commercial loans by industry

	2003	2002
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	**21,188**	20,198
Business services	**10,565**	11,881
Education, health care and other services	**9,728**	11,076
Total commercial loans	**130,983**	142,296

Loans by region

	2003	2002
Netherlands		
Public sector	**1,128**	2,262
Commercial	**52,990**	54,319
Retail	**84,382**	80,664
Professional securities transactions	**1,268**	762
Total Netherlands	**139,768**	138,007
North America		
Public sector	**898**	1,129
Commercial	**38,185**	47,471
Retail	**14,668**	20,855
Professional securities transactions	**38,372**	41,709
Total North America	**92,123**	111,164
Rest of the world		
Public sector	**3,468**	3,980
Commercial	**39,808**	40,506
Retail	**8,656**	7,446
Professional securities transactions	**16,938**	13,838
Total Rest of the world	**68,870**	65,770
Total	**300,761**	314,941

Movements in allowances for loan losses

	2003	2002	2001
Opening balance	**4,129**	4,500	4,195
Currency translation differences and other movements	**(331)**	(590)	(227)
Write-offs	**(1,343)**	(1,711)	(1,158)
Recoveries	**246**	142	193
	2,701	2,341	3,003
Unrecognised interest	**71**	107	155
New and increased specific provisions	***1,856***	*2,447*	*2,245*
Releases of specific provisions	***(370)***	*(624)*	*(710)*
Recoveries	***(246)***	*(142)*	*(193)*
Net increase	**1,240**	1,681	1,342
Closing balance	**4,012**	4,129	4,500

Allowances for loan losses and sovereign risk

	2003	2002	2001
Allowances for loans losses	**4,012**	4,129	4,500
Allowances for sovereign risk	**215**	181	345
Total	**4,227**	4,310	4,845
Allowances can be analysed by balance sheet item as follows:			
Loans	**3,918**	4,038	4,469
Banks	**8**	8	3
Interest-earning securities	**243**	217	336
Other	**58**	47	37
Total	**4,227**	4,310	4,845

Sovereign risk

Loans and other exposures are often not restricted to the country of the lending branch, but also involve banks, public authorities and other clients in foreign countries, and are mostly denominated in foreign currencies. The total cross-border exposure is very substantial but relates mainly to Organisation for Economic Cooperation and Development (OECD) countries. An increased risk on these outstandings would arise if and insofar as government measures or extreme economic conditions in specific countries were to restrict debt servicing. Up until 2002, provisions were formed in such circumstances for debts of specific governments that were denominated in foreign currencies. With effect from 2002, a provision is formed only for payments that are overdue or are expected to become past due. In this way, loans to governments are not treated any differently from loans to other borrowers.

Analysis of sovereign risk exposure and allowances at 31 December 2003

	Exposure	Risk allowances
Latin America and the Caribbean	305	186
Other countries	33	29
Total	338	215

Movements in sovereign risk allowances

	2003	2002	2001
Opening balance	**181**	345	272
Currency translation differences	**(7)**	(42)	12
Provision for loan losses	**34**	14	84
Other movements	**7**	(136)	(23)
Closing balance	**215**	181	345

Allowances for sovereign risks are charged to loans and interest-bearing securities.

Leasing

Loans include lease agreements in which ABN AMRO is the lessor.

Future minimum finance lease instalments and their present values are scheduled to mature as follows:

	Lease instalments due	Present value
Within one year	766	761
After one year and within five years	1,828	1,735
After five years	930	826
Total	3,524	3,322
Total of unearned financing income	357	
Residual value (not guaranteed) in favour of lessor	500	

Operationally leased assets (vehicles) can be analysed as follows:

	Minimum lease payments
Within one year	2,798
After one year and within five years	6,126
After five years	138
Total	9,062

Other

The item loans includes subordinated debt amounting to EUR 35 million (2002: EUR 5 million), as well as loans securitised by the bank amounting to EUR 10.5 billion (2002: EUR 9.9 billion) in consideration of which debt paper issued is included in the balance sheet.

5 Securities

The balance sheet items short-dated government paper, interest-earning securities and shares include the investment portfolios, the trading portfolios, securitised receivables such as treasury paper and commercial paper, and equity participations.

Interest-earning securities forming part of an investment portfolio, principally central government bonds, serve as a liquidity buffer, among other purposes. The bank attempts to maximise the return on these instruments through a policy of active management. Equity investments held on a long-term basis are also included in the investment portfolios.

These balance sheet items can be analysed as follows:

	2003	2002
Investment portfolios	**95,446**	100,823
Trading portfolios	**51,180**	48,965
Short-dated government paper	**790**	1,191
Other bank paper	**3,501**	3,269
Other securities	**4,040**	3,998
Other shares	**938**	1,190
Equity participations	**1,631**	1,695
Total securities	**157,526**	161,131

of which:

	Listed		Unlisted	
	2003	2002	2003	2002
Public authority paper	**71,014**	69,022	**14,743**	17,148
Other interest-earning securities	**23,086**	26,286	**32,438**	32,939
Shares	**13,983**	11,376	**2,262**	4,360
Total securities	**108,083**	106,684	**49,443**	54,447

Listed securities include all securities which are traded on any stock exchange. Third parties hold legal title to part of the securities included in the portfolios. This is related to securities sold with repurchase commitments totalling EUR 17,080 million (2002: EUR 27,310 million), and securities lending transactions totalling EUR 3,004 million (2002: EUR 5,222 million). In addition, ABN AMRO borrowed securities totalling EUR 10,536 million (2002: EUR 17,567 million). These securities are not recognised in the balance sheet. The item interest-earning securities includes securities of a subordinated nature totalling EUR 93 million (2002: EUR 144 million) and non-subordinated interest-earning securities issued by group companies totalling EUR 197 million (2002: EUR 726 million).

As part of its securities brokerage activities, the bank also trades in ABN AMRO shares. In addition, shares were repurchased on the stock exchange in connection with staff options granted, the performance share plan and to cover positions with clients. At balance sheet date, the treasury stock position of group companies included 5.3 million ABN AMRO Holding N.V. ordinary shares. The corresponding amount of EUR 119 million has been deducted from reserves.

An amount of EUR 44,862 million is scheduled for redemption in 2004.

Investment portfolios

The following analysis shows the book value and the fair value of ABN AMRO's investment portfolios. Fair value is based on quoted prices for traded securities and estimated market value for non-traded securities.

	2003			2002		
	Book value	Premiums or discounts	Fair value	Book value	Premiums or discounts	Fair value
Dutch government	**4,749**	**77**	**4,895**	5,342	126	5,816
US Treasury and US government agencies	**9,859**	**51**	**10,074**	12,131	173	12,793
Other OECD governments	**38,121**	**822**	**39,802**	37,183	482	38,703
Mortgage-backed securities	**21,707**	**348**	**22,276**	23,774	259	24,645
Other interest-earning securities	**15,998**	**24**	**16,424**	16,175	145	16,452
Total interest-earning securities and short-dated government paper	**90,434**	**1,322**	**93,471**	94,605	1,185	98,409
Shares	**5,012**		**5,012**	6,218		6,218
Total investment portfolios	**95,446**		**98,483**	100,823		104,627

The book value of the investment portfolios developed during 2003 as follows:

	Interest-earning	Shares
Opening balance of investment portfolio	92,995	753
Movements:		
• Purchases	150,500	1,271
• Sales	(121,092)	(1,090)
• Redemptions	(25,833)	–
• Acquisitions / dispositions	444	0
• Revaluations	0	(10)
• Currency translation differences	(6,439)	(6)
• Other	(369)	337
Closing balance of investment portfolio	90,206	1,255
Closing balance of policyholder accounts	228	3,757
Total investment portfolios	90,434	5,012
Revaluations included in closing balance	–	3
Diminutions in value included in closing balance	–	82

Premiums and discounts on the investment portfolios are amortised. The purchase price of the investment portfolios, including unamortised amounts from replacement transactions, was EUR 280 million below the redemption value.

Trading portfolios

The following table analyses the composition of the trading portfolios.

	2003	2002
Dutch government	**2,219**	955
US Treasury and US government agencies	**8,212**	12,104
Other OECD governments	**19,242**	16,199
Other interest-earning securities	**12,843**	13,074
Total interest-earning securities	**42,516**	42,332
Shares	**8,664**	6,633
Total trading portfolios	**51,180**	48,965

Other securities

The following table analyses the book value and fair value of other securities.

	2003		2002	
	Book value	Fair value	Book value	Fair value
Short-dated government paper	**790**	**788**	1,191	1,176
Other bank paper	**3,501**	**3,501**	3,269	3,269
Other securities	**4,040**	**4,075**	3,998	3,856
Total interest-earning securities	**8,331**	**8,364**	8,458	8,301
Shares and equity participations	**2,569**	**2,455**	2,885	2,821
Total other securities	**10,900**	**10,819**	11,343	11,122

6 Participating interests

This item includes equity participations held on a long-term basis for business operations.

	2003	2002
Credit institutions	**1,661**	1,034
Other participating interests	**968**	1,132
Total participating interests	**2,629**	2,166
Development:		
Opening balance	**2,166**	2,420
Movements:		
• Purchases / increases	**887**	196
• Sales / reductions	**(127)**	(176)
• Revaluations	**83**	0
• Share in results of significant participations interest	**12**	78
• Dividends received from significant participations interest	**(7)**	(21)
• Currency translation differences	**(184)**	(178)
• Other	**(201)**	(153)
Closing balance	**2,629**	2,166
Revaluations included in closing balance	**84**	1

Participating interests with official stock exchange listings represented a book value of EUR 1,225 million (2002: EUR 674 million).

7 Property and equipment

	2003	2002
Property used in operations	**3,167**	3,028
Other property	**2,455**	2,300
Equipment	**1,582**	1,654
Total property and equipment	**7,204**	6,982

At 31 December 2003 EUR 385 million (2002: 363 EUR million) of internally generated software was capitalised under equipment.

	Property			
	Total	Used in operations	Other	Equipment
Development:				
Opening balance	6,982	3,028	2,300	1,654
Movements:				
• Purchases	1,563	518	436	609
• Sales	(491)	(81)	(401)	(9)
• Revaluations	6	6	0	0
• Depreciation	(930)	(184)	(3)	(743)
• Acquisitions / dispositions	120	73	10	37
• Currency translation differences	(240)	(122)	(47)	(71)
• Other 1	194	(71)	160	105
	222	139	155	(72)
Accumulated amounts:				
Replacement cost	11,754	4,746	2,466	4,542
Depreciation	(4,550)	(1,579)	(11)	(2,960)
Closing balance	7,204	3,167	2,455	1,582
Revaluations included in closing balance	153	153	–	–

1 *Other of Other property comprises the net increase from property development activities.*

Legal title to property and equipment totalling EUR 27 million (2002: EUR 53 million) is held by third parties.

Payables with respect to finance lease agreements are EUR 22 million, of which computers EUR 20 million and equipment EUR 2 million.

8 Other assets and other liabilities

These items include those amounts which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet item. This concerns, for example, current tax assets totalling EUR 267 million (2002: EUR 408 million) and current tax liabilities totalling EUR 992 million (2002: EUR 1,447 million), deferred tax assets totalling EUR 1,201 million (2002: EUR 1,523 million), an intangible asset on account of unrecognised prior-service pension costs totalling EUR 368 million (2002: EUR 432 million), options, servicing rights, precious metals and other goods, balances of payment transactions still to be settled, short securities positions and market value of interest rate and currency contracts as part of trading activities. Options on behalf of customers are also included, totalling EUR 267 million (2002: EUR 295 million).

9 Prepayments and accrued income and accruals and deferred income

These items include revenue and expenses recognised in the period under review the receipt or payment of which falls in a different period, as well as the total net difference between contract rates and spot rates on foreign exchange hedging operations.

10 Banks (liabilities)

This item comprises debts, including amounts on account of professional securities transactions, to credit institutions, central banks and multilateral development banks.

	2003	2002
Professional securities transactions	**33,672**	23,152
Demand deposits	**13,954**	18,881
Time deposits	**52,015**	33,525
Loans from banks	**11,246**	20,326
Total banks *(liabilities)*	**110,887**	95,884

11 Total client accounts

This item includes total client balances held in current accounts, savings accounts and deposits, as well as debts on account of professional securities transactions and non-subordinated private loans.

	2003	2002
Savings accounts	**73,238**	74,249
Corporate deposits	**81,636**	75,833
Professional securities transactions	**48,517**	50,178
Other client accounts	**86,475**	89,201
Total client accounts	**289,866**	289,461

12 Debt securities

This item includes non-subordinated debt and other negotiable interest-bearing debt securities.

	2003	2002
Debentures and notes	**50,997**	40,678
Cash notes, savings certificates and bank certificates	**4,590**	6,579
Certificates of deposit and commercial paper	**16,101**	23,952
Total debt securities	**71,688**	71,209

The debentures are issued principally in the Dutch capital market and the Euromarket and are denominated mostly in euros and US dollars. The commercial paper programme is conducted mainly in the US and is denominated in US dollars. The other debt securities are instruments used in markets in which ABN AMRO is active and are usually denominated in local currencies.

At 31 December 2003, debt securities denominated in euros amounted to EUR 37,037 million and those denominated in US dollars to EUR 24,184 million.

At 31 December 2003 the debentures and notes, originally issued in the Dutch capital market, included EUR 12,175 million of variable rate obligations. In addition, EUR 9,208 million of the debentures and notes had been converted into variable rate obligations through the use of asset-liability management derivative contracts. The average interest rate on the debentures and notes, adjusted to reflect the effect of asset-liability management derivative contracts at year-end 2003, was 3.31%.

Maturity analysis

	2003	2002
Within one year	**31,927**	33,489
After one and within two years	**9,000**	7,507
After two and within three years	**4,014**	2,132
After three and within four years	**4,224**	5,255
After four and within five years	**2,782**	4,963
After five years	**19,741**	17,863
Total debt securities	**71,688**	71,209

13 Provisions

	2003	2002
Provision for deferred tax liabilities *(see note 37)*	**1,061**	714
Provision for pension obligations *(including early retirement)*	**706**	880
Provision for contributions to health insurance after retirement	**329**	309
Other staff provisions	**357**	413
Insurance fund liabilities	**7,845**	10,015
Restructuring charge	**181**	290
Other provisions	**667**	617
Total provisions	**11,146**	13,238

The other staff provisions refer in particular to occupational disability and other benefits, except early retirement benefits, payable to non-active employees. Provisions formed for staff benefit schemes due to restructuring are accounted for as restructuring provisions. Insurance fund liabilities include the actuarial reserves and the premium and claims reserves of the group's insurance companies.

Provisions are generally long term in nature.

	Other staff provisions	Restructuring	Other provisions
Opening balance	413	290	617
Movements:			
• Acquisitions / dispositions	9	–	86
• Additions from income statement	285	100	108
• Expenses charged to provisions	(335)	(206)	(149)
• Currency translation differences	(12)	(3)	–
• Others	(3)	–	5
Closing balance	357	181	667

The following tables summarise the change in benefit obligations and plan assets of the main pension plans and other employee benefit plans based on FAS 87 and FAS 106 as well as the funded status of the plans.

	Pension	Health insurance contribution
Opening balance	8,841	536
Movements in projected benefit obligations:		
• Service cost	280	20
• Interest cost	489	33
• Employee contributions / refunds	10	0
• Actuarial (gain) / loss	128	(13)
• Benefits paid	(296)	(20)
• Acquisitions / dispositions	105	22
• Settlement / curtailment	(52)	0
• Currency translation differences	(180)	(17)
• Others	(18)	0
Closing balance	9,307	561

	Pension	Health insurance contribution
Opening balance	6,776	25
Movements in plan assets:		
• Actual return on plan assets	789	4
• Employee contributions / refunds	12	0
• Employer's contribution	833	9
• Benefits paid	(296)	(2)
• Settlement / curtailment	(30)	–
• Acquisitions / dispositions	63	17
• Currency translation differences	(173)	(9)
• Others	14	–
Closing balance *(fair value)*	7,988	44

	Pension	Health insurance contribution
Funded status / (deficits)	(1,319)	(517)
Unrecognised net actuarial (gain) / loss	1,405	138
Unrecognised prior-service cost	386	20
Unrecognised transition obligation	(1)	30
Prepaid / (accrued) benefit cost	471	(329)

The weighted averages of the main actuarial assumptions used to determine the value of the provisions for pension obligations and contributions to health insurance as at 31 December were as follows:

	2003	2002
Pensions		
• Discount rate	**5.5%**	5.4%
• Expected increment in salaries	**2.6%**	2.8%
• Expected return on investments	**7.2%**	7.3%
Health insurance:		
• Discount rate	**6.0%**	5.4%
• Average rise in the costs of health care	**6.2%**	5.5%

The expected return on investments regarding pension obligations is weighted on the basis of the fair value of these investments. All other assumptions are weighted on the basis of the defined benefit plan obligations.

For the pension plans in the Netherlands the target and actual allocation of the plan assets were as follows:

Plan assets ABN AMRO Pension Fund

	Target allocation	**2003**	2002
Plan asset category			
• Equity securities	40%-50%	**50%**	40%
• Debt securities	50%-60%	**50%**	60%
Total		**100%**	100%

The contributions expected to be paid to the ABN AMRO Pension Fund in 2004 amount to EUR 464 million.

Unrecognised service cost refers to the additional pension obligations resulting from the lowering of the retirement age to 62 years for the employees in the Netherlands with effect from 1 January 2000, and will be amortised over the average remaining years of service of the employees.

For the pension plans in the Netherlands, United Kingdom and Germany, accumulated pension obligations (excluding future salary increases) exceeded the value of pension plan assets by EUR 651 million as at 31 December 2003. Taking into account a receivable from the Pension Fund, an additional obligation of EUR 901 million has been provided for, of which EUR 533 million (net EUR 353 million) has been charged to shareholders' equity and EUR 368 million is recognised as an intangible asset under Other assets.

Assumptions relating to movements in health care significantly affect the amounts disclosed for contributions to post-retirement health care. An increase of 1% in the assumed movement in the costs of health care would result in the accumulated obligation for other post-retirement benefits increasing by approximately EUR 109 million as at 31 December 2003, and the net period costs of other post-retirement benefits for 2003 going up by EUR 12 million. Conversely, a decrease of 1% in the assumed movement of the costs of health care would result in the two latter amounts declining by approximately EUR 87 million and EUR 9 million respectively.

14 Fund for general banking risks

The fund for general banking risks covers general risks associated with lending. The fund is net of tax and forms part of tier 1 capital; it is maintained partly in currencies other than the euro.

	2003	2002
Opening balance	**1,255**	1,381
Movements:		
Currency translation differences	**(112)**	(126)
Closing balance	**1,143**	1,255

15 Subordinated debt

This item includes subordinated debentures and loans which, according to the standards applied by the Dutch central bank, qualify for the consolidated capital adequacy ratio. It comprises debt, subordinated to all other current and future liabilities of ABN AMRO Bank N.V., amounting to EUR 8,840 million (2002: EUR 8,398 million), as well as subordinated borrowings of its consolidated participating interests EUR 5,060 million (2002: EUR 5,880 million). In general, early repayment, in whole or in part, is not permitted. The average interest rate on subordinated debt was 6.2%.

Maturity analysis

	2003	2002
Within one year	**442**	150
After one and within two years	**1,118**	467
After two and within three years	**1,136**	1,292
After three and within four years	**1,380**	1,273
After four and within five years	**695**	1,499
After five years	**9,129**	9,597
of which		
Preference shares qualifying as tier 1 capital	***1,680***	*2,018*
Other perpetual	***2,136***	*2,136*
Total subordinated debt	**13,900**	14,278

Subordinated debt as at 31 December 2003 was denominated in euros to an amount of EUR 7,731 million and in US dollars to an amount of EUR 6,014 million, and included EUR 3,163 million of variable rate obligations.

16 Shareholders' equity

	2003	2002	2001
Share capital	**1,732**	1,704	1,677
Reserves	**11,434**	9,502	10,544
	13,166	11,206	12,221
Treasury stock	**(119)**	(125)	(123)
Total shareholders' equity	**13,047**	11,081	12,098

For further information, refer to the section on changes in shareholders' equity on page 105.

Share capital

The authorised share capital of ABN AMRO Holding N.V. amounts to EUR 4,704,000,224 face value and consists of four billion and four hundred ordinary shares, one billion preference shares and one hundred million convertible preference shares, each of which were convertible into four ordinary shares.

The issued and paid-up share capital is made up of the following numbers of shares:

Ordinary shares (face value EUR 0.56)	1,643,220,517
Preference shares (face value EUR 2.24)	362,503,010
(Formerly convertible) preference shares (face value EUR 2.24)	44,988

On 31 December 2003, 5,337,689 ordinary shares were repurchased in connection with the Performance Share Plan and future exercise of staff options.

The preference shares are registered shares; the dividend has been fixed with effect from 1 January 2001 at 5.55% of the face value. This percentage will be adjusted on 1 January 2011 in the manner stipulated in the articles of association.

The dividend on the preference shares, which were convertible until 31 October 2003, was fixed at 1 January 2004 at EUR 0.95 per share per annum until the end of 2013.

Reserves

	2003	2002	2001
Share premium account	**2,549**	2,543	2,504
Revaluation reserves	**283**	124	355
Other reserves prescribed by law	**280**	297	258
General reserve	***10,550***	*8,336*	*7,592*
Expected final cash dividend to be paid to holders of ordinary shares	***336***	*300*	*311*
Exchange differences reserve	***(2,564)***	*(2,098)*	*(476)*
Other reserves	**8,322**	6,538	7,427
Total reserves	**11,434**	9,502	10,544

The share premium account is regarded as paid-up capital for tax purposes. The share premium account relating to (formerly convertible) preference shares amounts to EUR 1 million (2002: EUR 14 million; 2001: EUR 18 million).

Due to dispositions and depreciation, EUR 66 million of the revaluation reserves is regarded as realised. The remaining part is regarded as a legal reserve.

The expected stock dividend percentage (59%) for the final dividend was taken into consideration.

Staff options

The Managing Board members, other senior executives and some 2,900 employees of ABN AMRO directly reporting to the banks' senior executives are periodically offered the opportunity to acquire equity options whose value is related to the option exercise price. The exercise price of staff options is equal to the average of the highest and lowest ordinary share price quoted on Euronext Amsterdam on the date of grant. With effect from 2002, options awarded to the Managing Board and other (senior) executives are of a conditional nature. The options cannot be exercised for at least three years from the date of grant and then only if specific performance indicators have been achieved in the intervening period. If the criteria are not met, the test may be applied in up to three subsequent years. If they are not met at all within six years from the date of grant, the options will lapse. The total term of the options has been extended from seven years to ten years.

The majority of the non-conditional options is not exercisable during the first three years from the date of grant. Open periods have been established for senior executives and other designated persons. This category of staff is not permitted to exercise its options outside the open periods, except on the expiration date and the preceding five working days, subject to certain conditions. In 2003, approximately 9,000 employees exercised the right to take equity options.

In 2001, 2002 and 2003, the price of options exercised ranged from EUR 10.02 to EUR 24.32. If fully exercised, the options at year-end 2003 would have increased the number of ordinary shares by 59.1 million (see following analysis).

Year of expiration	Staff options (in thousands)	Average exercise price (in euros)	Low/high exercise price (in euros)
2004	10,317	20.84	18.10 - 24.32
2005	5,652	21.18	17.95 - 24.11
2007	4,542	21.30	21.30
2008	9,571	22.73	22.34 - 23.14
2009	4,412	20.42	20.42
2010	898	15.06	15.06
2012	9,759	19.11	17.46 - 19.53
2013	13,998	14.45	14.45 - 14.65
Total	**59,149**	**19.30**	**14.45 - 24.32**

	2003		2002	
	Staff options (in thousands)	Average exercise price (in euros)	Staff options (in thousands)	Average exercise price (in euros)
Opening balance	**58,334**	**21.31**	50,658	21.23
Movements:				
Options granted to Managing Board members	**608**	**14.45**	592	19.53
Options granted to other senior management	**8,039**	**14.45**	7,392	19.53
Other options granted	**6,249**	**14.54**	6,540	19.57
Options exercised	**(362)**	**17.34**	(5,051)	16.31
Options expired and cancelled	**(13,719)**	**22.68**	(1,797)	18.95
Closing balance	**59,149**	**19.30**	58,334	21.31
Of which conditional	**23,756**	**16.36**	9,828	19.11
Of which vested and in the money	**3,150**	**18.10**	–	–
Of which hedged	**488**	**17.00**	–	–

To settle the options granted, with effect from 1 January 2001, ABN AMRO each year makes available new ordinary shares up to 1% of the issued ordinary shares. The total of outstanding options settled through the issuance of new ordinary shares will not exceed 10% of the issued ordinary shares.

To settle additional options granted above these limits, ABN AMRO will repurchase shares in the open market or hedge these options through derivative transactions. If all vested rights would be exercised, shareholders' equity would increase by an amount of EUR 434 million.

Deliveries on options exercised in 2003 were made from share repurchases on the date of grant (362,311 shares).

If ABN AMRO had based the cost of staff options granted in 2003 at the fair value of the options at the date of grant instead of the intrinsic value of the options, net profit and earnings per ordinary shares would have been EUR 41 million and EUR 0.03 lower respectively.

17 Minority interests

This item comprises the share of third parties in the equity of subsidiaries and other group companies, as well as preferred stock issued to third parties by subsidiaries in the United States. The right to repayment of this preferred stock is in all cases vested in the issuing institution, but repayment is also subject to approval of the supervisory authorities. If this right is not exercised, preference shares without fixed dividend entitlement qualify for a dividend step-up. In terms of dividend and liquidation rights, Trust preferred shares are comparable to ABN AMRO Holding N.V. preference shares.

	2003	2002	2001
Non-cumulative preference shares			
• Trust preferred shares with fixed dividend	**2,170**	2,382	2,834
• Other shares with fixed dividend	**319**	384	458
• Other shares with dividend step-up	**40**	270	321
Other minority interests	**1,184**	774	943
Total	**3,713**	3,810	4,556

	2003	2002	2001
Opening balance	**3,810**	4,556	5,287
Movements:			
Currency translation differences	**(572)**	(732)	244
Acquisitions / disposition	**9**	–	(413)
Extension	**439**	–	–
Issuance of preference shares	**1,290**	–	–
Redemption / repurchase of preference shares	**(1,258)**	–	(415)
Other	**(5)**	(14)	(147)
Closing balance	**3,713**	3,810	4,556

18 Capital adequacy

The standards applied by the Dutch central bank for the principal capital ratios are based on the capital adequacy guidelines of the European Union and the Basel Committee for Banking Supervision. These ratios compare the bank's total capital and tier 1 capital with the total of risk-weighted assets and off-balance sheet items and the market risk associated with the trading portfolios. The minimum requirement for the total capital ratio and tier 1 ratio is 8% and 4% respectively of risk-weighted assets.

The following table analyses actual capital and the minimum standard in accordance with supervisory requirements.

	2003		2002	
	Required	Actual	Required	Actual
Total capital	**17,902**	**26,254**	18,366	26,493
Total capital ratio	**8.0%**	**11.73%**	8.0%	11.54%
Tier 1 capital	**8,951**	**18,236**	9,183	17,178
Tier 1 capital ratio	**4.0%**	**8.15%**	4.0%	7.48%

19 Accounts with participating interests

Amounts receivable from and payable to participating interests included in the various balance sheet items totalled:

	2003	2002
Banks *(assets)*	**6**	24
Loans	**584**	396
Banks *(liabilities)*	**143**	480
Total client accounts	**257**	9

20 Maturity

Short-dated liabilities and demand deposits are generally matched by cash, assets that can be realised at short notice or lending operations as part of the interest rate risk policy. The balance sheet is already presented in descending order of liquidity. A number of items containing assets or liabilities with varying maturities are analysed in the following table. This analysis does not include liquid assets such as cash and short-dated government paper and the bond investment portfolios, which by their nature can be realised at short notice. In every country in which ABN AMRO is active, liquidity satisfies the standards imposed by the supervisory authorities.

Maturity analysis
(in billions of euros)

	On demand	≤ 3 months	> 3 m - ≤ 1 yr	> 1 yr - ≤ 5 yr	> 5 yr
Banks *(liabilities)*	22	72	9	6	2
Savings accounts	27	40	3	3	0
Deposits and other client accounts *(including professional securities transactions)*	86	100	17	8	6
Debt securities	0	19	12	21	20
Subordinated debt	0	0	1	4	9
Banks *(assets)*	4	44	6	4	1
Loans *(including professional securities transactions)*	11	106	31	63	86

21 Currency position

Of total assets and total liabilities, amounts equivalent to EUR 359 billion and EUR 358 billion respectively are denominated in currencies other than the euro. Positions arising from balance sheet items are generally hedged by foreign exchange contracts not included in the balance sheet. The actual currency positions arising out of the bank's proprietary foreign exchange dealing activities are of limited size. Capital invested in operations outside the Netherlands is largely funded in euros. Part of the resulting currency positions is used to offset movements in required capital for foreign currency risk-bearing assets, which is also due to exchange rate fluctuations. Similar reasoning lies behind the policy of issuing preferred stock and subordinated debt in foreign currencies.

22 Collateral provided

In connection with collateral provided for specific liabilities and off-balance sheet commitments, as well as for transactions in financial markets, specific assets are not freely available. This relates to cash (EUR 4.1 billion), securities (EUR 4.9 billion) and loans (EUR 35.9 billion). Collateral has been provided for liabilities included in banks (EUR 17.1 billion), debt securities (EUR 13.1 billion) and client accounts (EUR 4.5 billion).

23 Contingent liabilities

	2003	2002
Commitments with respect to guarantees granted	**39,434**	39,754
Commitments with respect to irrevocable letters of credit	**3,362**	4,370
Commitments with respect to recourse risks arising from discounted bills	**42**	52
	42,838	44,176

24 Derivatives

Derivatives are financial instruments, the contracted or notional amounts of which are not included in the balance sheet either because rights and obligations arise out of one and the same contract, the performance of which is due after balance sheet date, or because the notional amounts serve merely as variables for calculation purposes. Examples of derivatives are forward exchange contracts, options, swaps, futures and forward rate agreements. The underlying value may involve interest rate, currency, commodity, bond or equity products or a combination of these. Derivatives transactions are conducted as a trading activity (also on behalf of clients) and as a hedge against ABN AMRO's own interest rate and currency exposure.

The degree to which ABN AMRO is active in the respective markets or market segments is shown in the following analysis by means of notional amounts (including maturity profile based on remaining term). The notional amounts, however, give no indication of the size of the cash flows and the market risk or credit risk attaching to derivatives transactions.

The market risk arises from movements in variables determining the value of derivatives, such as interest rates and quoted prices. The credit risk is the loss that would arise if a counterparty were to default. This is related, however, to the market risk since the extent of the credit risk is in part determined by actual and expected market fluctuations. In calculating the credit risk shown in the following table, netting agreements and other collateral have not been taken into consideration.

Derivatives transactions

(in billions of euros)		Notional amounts				
		≤ 1 yr	> 1 yr - ≤ 5 yr	> 5 yr	Total	Credit risk
Interest rate contracts						
OTC	Swaps	593	1,513	180	2,286	48
	Forwards	183	38	–	221	0
	Options	129	232	11	372	3
Exchange-traded	Futures	146	88	–	234	–
	Options	165	8	–	173	0
Currency contracts						
OTC	Swaps	265	55	25	345	15
	Forwards	348	12	–	360	12
	Options	40	28	14	82	1
Exchange-traded	Futures	5	1	–	6	–
	Options	2	–	–	2	0
Other contracts						
OTC	Forwards/Swaps	7	46	6	59	1
	Options	9	9	1	19	1
Exchange-traded	Futures	7	2	–	9	–
	Options	14	5	–	19	0
Total derivatives		1,913	2,037	237	4,187	81

The following tables give an indication of the notional amounts and (average) market values of the principal types of trading portfolio contracts and hedging portfolio contracts (i.e. contracts entered into as part of the bank's interest rate and exchange rate policies). Intercompany transactions between hedging and trading portfolios have not been eliminated from the figures.

Trading portfolio derivatives transactions in 2003

	Notional amounts	Market value		Average market value	
		Positive	Negative	Positive	Negative
Interest rate contracts					
Swaps	2,421,819	50,131	47,593	55,748	53,271
Forwards	220,521	129	89	119	119
Options purchased	283,735	12,637	–	3,732	–
Options sold	263,135	–	3,099	–	3,327
Futures	221,145	–	–	–	–
Total interest rate contracts	3,410,355	62,897	50,781	59,599	56,717
Currency contracts					
Swaps	363,544	15,704	15,806	10,279	11,293
Forwards	360,469	11,500	8,252	6,550	6,972
Options purchased	40,619	1,376	–	1,114	–
Options sold	42,018	–	1,127	–	901
Futures	6,169	–	–	–	–
Total currency contracts	812,819	28,580	25,185	17,943	19,166
Other contracts					
Equity options purchased	19,017	1,246	–	1,298	–
Equity options sold	18,859	–	970	–	669
Other equity and commodity contracts	67,614	1,051	86	804	697
Total other contracts	105,490	2,297	1,056	2,102	1,366

Trading portfolio derivatives transactions in 2002

	Notional amounts	Market value		Average market value	
		Positive	Negative	Positive	Negative
Interest rate contracts	2,976,769	60,246	56,330	41,196	37,390
Currency contracts	758,290	17,603	20,101	14,847	17,193
Other contracts	80,978	2,198	2,412	1,987	2,511

Hedging portfolio derivatives transactions

	2003			2002		
		Market value			Market value	
	Notional amounts	Positive	Negative	Notional amounts	Positive	Negative
Interest rate contracts						
Swaps	**184,610**	**2,260**	**3,779**	222,310	4,189	6,066
Forwards	**1,239**	**1**	**1**	3,248	10	10
Options purchased	**2,718**	**17**	**–**	4,620	53	–
Futures	**14,172**	**–**	**3**	11,993	–	–
Total interest rate contracts	**202,739**	**2,278**	**3,783**	242,171	4,252	6,076
Currency contracts						
Swaps	**22,498**	**885**	**1,091**	7,298	165	233
Forwards	**11,757**	**362**	**345**	11,346	229	231
Options purchased	**1,440**	**24**	**–**	1,887	30	–
Total currency contracts	**35,695**	**1,271**	**1,436**	20,531	424	464

Derivatives and capital adequacy requirements

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

Credit equivalent

(in billions of euros)	2003	2002
Interest rate contracts	**62.3**	64.5
Currency contracts	**41.7**	28.7
Other contracts	**7.7**	5.8
	111.7	99.0
Effect of contractual netting	**65.8**	64.3
Unweighted credit equivalent	**45.9**	34.7
Weighted credit equivalent	**9.1**	9.2

25 Memorandum items

Apart from the memorandum items stated, non-quantified guarantees have been given for the bank's securities custody operations, for interbank bodies and institutions and for participating interests. Collective guarantee schemes apply to group companies in various countries. Furthermore, statements of liability have been issued for a number of group companies.

Legal proceedings have been initiated against ABN AMRO in a number of jurisdictions, but on the basis of information currently available, and having taken counsel with legal advisers, the Managing Board is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated operations of ABN AMRO.

For 2004, investment in property and equipment is estimated at EUR 1.2 billion, of which ABN AMRO is already committed to an amount of EUR 231 million.

Though ABN AMRO has sold a part of its loan portfolio, partly through credit-enhanced or non-credit enhanced securitisation, it still holds legal title to some of these loans. In most cases these loans are also serviced by ABN AMRO. The bank also services loans granted by other institutions. The following table states the outstandings at 31 December 2003.

Legal title to loans sold	1,152
Loans serviced for third parties	153,840
Loans sold with credit enhancement	188

Future rental commitments at 31 December 2003 for long-term lease contracts were as follows:

Within one year	76
After one year and within five years	257
After five years	439

26 Net interest revenue

This item comprises interest revenue from loans, investments, other lending, interest expense on borrowings by ABN AMRO and client accounts, as well as the results from interest rate and foreign exchange contracts entered into for hedging purposes. Other revenue from loans is also included. Interest revenue from interest-earning securities amounted to EUR 5,061 million (2002: EUR 6,379 million). Interest expense on subordinated debt totalled EUR 861 million (2002: EUR 944 million).

27 Revenue from securities and participating interests

This item includes the share in net profit or loss of participating interests on which ABN AMRO exercises a significant influence. Dividends received from shares and other participating interests are also included, as are the results from sales of shares from the investment portfolio and investments in participating interests insofar as these are not treated as value adjustments to financial fixed assets (See note 41 'Segment information' for more details).

	2003	2002	2001
Revenue from shares and equity participations	**47**	79	75
Revenue from participating interests	**222**	290	380
Total revenue from securities and participating interests	**269**	369	455

28 Net commissions

This item includes revenue from securities brokerage, domestic and international payments, asset management, insurance, guarantees, leasing and other services. Amounts paid to third parties are shown as commission expense.

	2003	2002	2001
Securities brokerage	**1,108**	1,269	1,674
Payment services	**1,237**	1,348	1,394
Asset management and trust	**813**	862	885
Insurance	**121**	165	202
Guarantees	**199**	170	158
Leasing	**175**	185	179
Other	**811**	640	722
Total commissions	**4,464**	4,639	5,214

29 Results from financial transactions

This includes results from securities trading, foreign exchange dealing and derivatives transactions. The category Other includes trading LDC debt securities, currency translation differences on investments – other than those included in tangible fixed assets – in branches, subsidiary and participating interests in hyper-inflationary countries, results from private equity positions as well as results from transactions in connection with hedging of the foreign currency profit.

	2003	2002	2001
Securities trading	**338**	492	787
Foreign exchange dealing	**671**	679	486
Derivatives transactions	**553**	388	502
Private equity	**142**	(191)	(114)
Other	**289**	109	(109)
Total result from financial transactions	**1,993**	1,477	1,552

30 Other revenue

This includes revenue from mortgage banking activities, including both mortgage servicing rights and mortgage origination, property development, other revenue from leasing activities and results from the insurance companies forming part of the group.

Other revenue can be broken down as follows:

	2003	2002	2001
Mortgage banking activities	**1,243**	978	299
Property development	**184**	165	131
Leasing activities	**358**	339	333
Insurance companies	**318**	314	243
Other	**241**	154	517
Total other revenue	**2,344**	1,950	1,523

Mortgage banking activities revenue can be broken down as follows:

	2003	2002	2001
Loan servicing income and related fees	**499**	489	417
Net origination and sales revenue	**874**	821	617
Net gain on sale of servicing rights	**–**	45	26
Amortisation of mortgage servicing rights	**(130)**	(318)	(468)
Valuation provision	**–**	(59)	(293)
Total mortgage banking activities	**1,243**	978	299

The insurance companies achieved the following results:

	Life	**Non-life**
Net premium income	1,174	361
Investment income	279	80
Insurance expenses	(1,324)	(252)
Total result of insurance companies	129	189

31 Staff costs

	2003	2002	2001
Salaries *(incl. bonuses, etc.)*	**5,318**	5,415	5,981
Pension costs *(incl. early retirement)*	**481**	384	188
Health insurance after retirement	**68**	71	20
Social insurance and other staff costs	**1,213**	1,537	1,464
Total staff costs	**7,080**	7,407	7,653
Average number of employees (fte):			
Netherlands	**30,620**	34,090	36,630
Foreign countries	**74,819**	73,326	75,576
Total average number of employees *(fte)*	**105,439**	107,416	112,206

Pension costs and contributions to health insurance for 2003 borne by the company consist of a number of items. These are shown in the following table.

	Pension	Health insurance contribution
Service cost	280	20
Interest cost	489	33
Expected return on plan assets	(515)	(2)
Net amortisation of prior-service cost	56	2
Net amortisation of transition obligation	0	3
Net amortisation of net actuarial (gain) / loss	76	12
Defined benefit plans	386	68
Defined contribution plans	95	–
Total	481	68

32 Other administrative expenses

This item includes office overhead, automation costs, advertising costs and other general expenses.

ABN AMRO also leases premises and space in other buildings for its principal activities. The leases generally are renewable and provide for payment of rent and certain other occupancy expenses. Total rent expense for all contracts amounted to EUR 355 million in 2003, EUR 334 million in 2002 and EUR 373 million in 2001.

33 Depreciation

This item is made up of depreciation of property and equipment.

34 Provision for loan losses

This item includes provisions for uncollectable outstandings.

35 Addition to the fund for general banking risks

This item includes the addition to or release from the fund, management's intention being to maintain the fund at a level equal to approximately 0.5% of risk-weighted total assets.

36 Value adjustments to financial fixed assets

Financial fixed assets include the bond and equity investment portfolios and participating interests on which the bank does not exercise an influence. Diminutions in value of the bond investment portfolio may relate to a permanent deterioration of the debtor's quality. These diminutions in value and the diminutions in value below the purchase price of shares and participating interests on which no influence is exercised, together with amounts released in respect of earlier diminutions in value, are included in this item. Results from dispositions below purchase price are likewise treated as diminutions in value.

37 Taxes

The overall effective tax rate increased from 28.7% in 2002 to 30.6% in 2003.

	2003	2002	2001
Dutch tax rate	**34.5%**	34.5%	35.0%
Effect of deviating tax rate in foreign countries	**(1.8%)**	(4.2%)	(5.1%)
Effect of tax-exempt revenue in the Netherlands	**(1.6%)**	0.4%	(2.0%)
Other	**(0.5%)**	(2.0%)	(0.3%)
Effective tax rate on operating profit	**30.6%**	28.7%	27.6%

Taxes amounted to EUR 1,503 million (2002: EUR 973 million), including a deferred tax expense of EUR 329 million (2002: including a deferred tax income of EUR 326 million). The total amount of taxation credited directly to shareholders' equity during the year amounted to EUR 141 million.

The provision for deferred tax liabilities relates to tax liabilities that will arise in the future owing to the difference between the book value of specific assets and liabilities and their valuation for tax purposes. The following analysis shows deferred tax liabilities and assets.

	2003	2002
Deferred tax liabilities		
Buildings	**335**	290
Pensions and other post-retirement and post-employment arrangements	**255**	0
Derivatives	**287**	0
Leases and similar financial contracts	**403**	402
Servicing rights	**484**	537
Dutch tax liability re foreign branches	**592**	541
Other	**260**	320
Total	**2,616**	2,090
Deferred tax assets		
Allowances for loan losses	**400**	551
Investment portfolios	**726**	53
Goodwill	**412**	387
Property	**102**	0
Carry-forward losses	**623**	622
Derivatives	**22**	6
Restructuring charge	**15**	15
Tax credits	**17**	795
Pensions and other post-retirement and post-employment arrangements	**0**	165
Other	**581**	500
Deferred tax assets before valuation allowances	**2,898**	3,094
Less: valuation allowances	**142**	195
Deferred tax assets after valuation allowances	**2,756**	2,899

Deferred tax assets and liabilities are discounted to their net present value on the basis of net interest where the original term of the temporary difference is longer than five years. The nominal value of deferred tax assets amounts to EUR 2,787 million and of deferred tax liabilities to EUR 2,723 million. For discounted deferred tax assets the net interest rate applied as a discount factor is 8% and the average remaining life is five years. For discounted deferred tax liabilities, the net interest rate applied as a discount factor is 4% and the average remaining life is 20 years.

The main component of the valuation allowance relates to tax carry-forward losses. The amount of deferred tax assets, likely to be recovered within one year, is EUR 338 million.

At 31 December 2003 carry-forward losses of foreign operations expire as follows:

2004	232
2005	88
2006	96
2007	66
2008	64
Years after 2008	1,291
Indefinitely	676
Total	2,513

ABN AMRO considers approximately EUR 4.6 billion in distributable invested equity of foreign operations to be permanently invested. If retained earnings were distributed no foreign income taxes would have to be paid. The estimated impact of foreign withholding tax is EUR 139 million.

38 Extraordinary result

With effect from 1 January 2003, the definitions of extraordinary revenue and expenses have been revised. The narrower definition of extraordinary items means that items formerly presented as extraordinary results are now classified within ordinary operations. Due to this decision ABN AMRO has revised the income statement for 2002.

The sale of EAB in 2001 caused an extraordinary result of EUR 962 million net. The reorganisation in the Netherlands in 2001 resulted in an additional charge of EUR 147 million (EUR 95 million net).

39 Minority interests

This item comprises the share of third parties in results from subsidiaries and other group companies, as well as dividends on preferred stock issued by subsidiaries in the United States.

	2003	2002	2001
Dividends on preference shares	**215**	173	217
Other minority interests	**39**	35	35
Total minority interests	**254**	208	252

40 Earnings per ordinary share

Basic earnings per share is computed by dividing net profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding. Diluted earnings per ordinary share include the determinants of basic earnings per ordinary share and, in addition, the effect arising should all outstanding rights to ordinary shares be exercised. The computation of basic and diluted earnings per ordinary share are presented in the following table.

	2003	2002
Net profit	**3,161**	2,207
Dividends on preference shares	**45**	46
Net profit attributable to ordinary shareholders	**3,116**	2,161
Dividends on convertible preference shares	**0**	1
Fully diluted net profit	**3,116**	2,162
Weighted average number of ordinary shares outstanding *(in millions)*	**1,610.2**	1,559.3
Dilutive effect of staff options *(in millions)*	**0.0**	0.0
Convertible preference shares *(in millions)*	**–**	2.1
Performance share plan *(in millions)*	**4.9**	3.8
Diluted number of ordinary shares *(in millions)*	**1,615.1**	1,565.2
Basic earnings per share *(in euros)*	**1.94**	1.39
Fully diluted earnings per share *(in euros)*	**1.93**	1.38

41 Segment information

The following tables give an analysis by operating segment. For the purpose of this analysis, net turnover represents total revenue before interest expense and commission expense. Overheads have been allocated to the operating segments.

	Net turnover			Total revenue		
	2003	2002	2001	**2003**	2002	2001
Consumer & Commercial Clients	**16,557**	18,762	24,294	**10,538**	10,382	10,203
Of which:						
• *Netherlands*	***5,804***	*6,445*	*6,218*	***3,344***	*3,108*	*2,989*
• *North America*	***5,593***	*6,417*	*11,338*	***4,505***	*4,518*	*4,252*
• *Brazil*	***2,784***	*3,625*	*4,384*	***1,694***	*1,736*	*1,920*
Wholesale Clients	**11,411**	12,647	15,828	**5,293**	5,296	6,193
Private Clients	**1,654**	1,717	1,264	**937**	894	846
Asset Management	**592**	630	706	**496**	529	573
Corporate Centre	**2,107**	1,976	1,414	**716**	386	249
	32,321	35,732	43,506	**17,980**	17,487	18,064
LeasePlan Corporation	**974**	855	830	**813**	793	770
Total	**33,295**	36,587	44,336	**18,793**	18,280	18,834

	Operating profit before taxes			Risk-weighted total assets		
	2003	2002	2001	**2003**	2002	2001
Consumer & Commercial Clients	**3,248**	2,783	2,347	**142,359**	143,449	158,141
Of which:						
• *Netherlands*	***577***	*409*	*284*	***52,634***	*54,223*	*54,307*
• *North America*	***1,941***	*1,734*	*1,432*	***55,263***	*61,669*	*73,542*
• *Brazil*	***365***	*344*	*437*	***7,819***	*5,955*	*8,181*
Wholesale Clients	**503**	(324)	328	**61,554**	67,236	95,171
Private Clients	**176**	207	170	**6,027**	6,104	6,121
Asset Management	**101**	108	100	**695**	647	408
Corporate Centre	**643**	382	441	**2,951**	1,986	3,530
	4,671	3,156	3,386	**213,586**	219,422	263,371
LeasePlan Corporation	**247**	232	227	**10,190**	10,150	10,016
Total	**4,918**	3,388	3,613	**223,776**	229,572	273,387

	Total liabilities			Total depreciation		
	2003	2002	2001	**2003**	2002	2001
Consumer & Commercial Clients	**197,652**	202,315	240,177	**546**	662	657
Of which:						
• *Netherlands*	***86,303***	*85,496*	*85,833*	***301***	*396*	*417*
• *North America*	***68,792***	*81,507*	*101,631*	***135***	*140*	*149*
• *Brazil*	***10,347***	*6,701*	*7,792*	***67***	*81*	*51*
Wholesale Clients	**253,644**	243,354	275,797	**264**	249	225
Private Clients	**42,970**	40,528	40,876	**43**	31	33
Asset Management	**1,364**	1,015	1,129	**23**	14	7
Corporate Centre	**43,102**	49,689	18,184	**16**	14	3
	538,732	536,901	576,163	**892**	970	925
LeasePlan Corporation	**4,945**	4,526	4,857	**38**	36	32
Total	**543,677**	541,427	581,020	**930**	1,006	957

	Total property investment			Revenue securities and participating interests		
	2003	2002	2001	**2003**	2002	2001
Consumer & Commercial Clients	**1,292**	873	1,145	**178**	199	300
Of which:						
• *Netherlands*	***224***	*445*	*554*	***108***	*15*	*26*
• *North America*	***882***	*269*	*289*	***36***	*42*	*117*
• *Brazil*	***99***	*66*	*171*	***2***	*11*	*11*
Wholesale Clients	**166**	320	336	**66**	139	104
Private Clients	**53**	49	53	**2**	4	10
Asset Management	**6**	0	0	**4**	1	1
Corporate Centre	**9**	0	0	**10**	21	23
	1,526	1,242	1,534	**260**	364	438
LeasePlan Corporation	**37**	50	77	**9**	5	17
Total	**1,563**	1,292	1,611	**269**	369	455

42 Managing Board and Supervisory Board

Remuneration policy

The current compensation policy for the Managing Board was introduced in 2001. The main objective is to ensure that ABN AMRO is able to attract, retain and motivate its Top Executive Group. To achieve this, Managing Board remuneration has several elements which, as a package, make it comparable with relevant peer positions in the market.

The compensation package for the Managing Board has the following elements:
- Base salary
- Performance bonus
- Long-term incentives – share option plan and Performance Share Plan.

There are also a number of defined benefits.

Base salary

A common base salary applies to all Managing Board members except the Chairman, to whom a 40% differential applies. In addition to the base salary, the non-Dutch Board member received a market competitive allowance. Salaries are reviewed annually with adjustments taking effect from 1 January. Managing Board base salaries were not adjusted in 2003.

Performance bonus

The annual performance bonus for Managing Board members is based upon ABN AMRO corporate and SBU related quantitative and qualitative performance objectives. The objectives are set annually by the Nomination & Compensation Committee and endorsed by the Supervisory Board. Bonuses for the Chairman, the CFO and – as of 2004 – the COO, are based on delivery against corporate performance objectives. With effect from 2004, the bonus for board members responsible for an SBU will change from 50% on group and 50% on SBU performance to 75% on group performance and 25% on SBU performance.

In 2003 objectives such as EP, cost income ratio and tier 1 ratio were used to measure quantitative corporate and SBU performance. In addition qualitative objectives are set such as increasing customer satisfaction and reaching strategic milestones. Specific annual performance targets are not disclosed as this is considered competitively sensitive.

If the quantitative performance objectives are fully met, bonuses will range between 60% and 75% of base salary with upper limits of 100% for outstanding performance and an absolute maximum of 125%. The Nomination & Compensation Committee may, on the basis of their assessment of a Managing Board member's individual performance against qualitative performance objectives, adjust the bonus outcome upwards or downwards within a range of plus or minus 20 per cent of base salary. The 2003 performance bonuses for Managing Board members have been set on this basis. The individual bonus awards are shown in the table on page 144.

Share options

Share options have been an integral part of ABN AMRO Top Executives' compensation for several years. Before 2002, share option awards to the Managing Board depended on previous corporate performance. From 2002 onwards, 10-year options were granted, linked to future performance. These options will only become exercisable if a set of pre-determined performance conditions are met after a minimum period of three years. If these conditions are not met over the initial performance period the performance test will be reapplied for up to three subsequent years. But if they are not met at all within six years from the date of grant the options will lapse.

The conditions for the options granted in 2003 for the performance period which normally ends in 2005 are:

- Real EP growth over the performance cycle (the three financial years from that in which the stock option is granted (2003 up to and including 2005), the starting point being EP in 2002)
- RoE in accordance with Dutch GAAP equal to, or greater than, 12.5% in the financial year preceding that in which the stock option could first be exercised.

The five Managing Board members received 95,000 conditional options each and the Chairman of the Managing Board 133,000 options.

Share options were first granted to key staff in 2002. In 2003, 9,000 employees received options and 287 Top Executives (excluding the Managing Board) received 8.0 million share options. The total number of share options granted to Top Executives and key staff in 2003 was 14.0 million.

The five-year options granted in 1998 with an exercise price of EUR 21.01 expired below the exercise price on 9 March 2003. The options with an exercise price of EUR 18.10, which were granted in 1999, expired in March 2004.

Performance Share Plan

The Performance Share Plan was introduced in 2001 and forms an important though stretching part of the Managing Board's reward package. SEVPs are also eligible for a yearly grant under this plan.

In 2003 Managing Board members received a conditional award of 70,000 shares and the Chairman 98,000 shares. The number of shares awarded will be subject to the bank's performance during the four-year performance period, defined as the year of grant and three subsequent years. For the purpose of this plan, the bank's performance is measured in terms of the TRS generated by the bank relative to the TRS generated by the peer group of 20 financial institutions. A second condition is that the recipient is still in group service at the end of the performance period.

The 2003 conditional share award is subject to the same vesting schedule as in 2002. The full award will be paid if the TRS generated by the bank in the fourth year of the performance period is fifth out of 21 relative to the peer group. There will be a sliding scale ranging from no award if the bank is lower than tenth to 150% of the conditional award if the bank has progressed to the very top of the TRS rankings.

Pension

The Managing Board members participate in a pension scheme which combines defined contribution with certain guarantees. Contributions are made by the employer. The pensionable salary was limited to 90% of the actual base salary for Managing Board members. The normal retirement age is 62. The ABN AMRO Pension Fund manages the pension plan.

In line with similar changes agreed under the 2003/04 Collective Labour Agreement, it has been decided to implement changes in the Managing Board pension arrangement. The most notable adjustment is that certain of the old guarantees will cease. From 1 November 2003, pension accrual will be based on the 2000 pension scheme without any additional entitlements based on guarantees from earlier arrangements. To bring the Managing Board's pension accrual into line with the other employees, the pensionable salary was adjusted from 90% to 100% of annual base salary with effect from 1 November 2003.

Specific benefits

The Managing Board's compensation package also includes:

- the use of a company lease car with driver
- a representation allowance of EUR 4,084 net for the members and EUR 5,445 net for the chairman to cover non-reimbursable expenses. This allowance will be abolished from 2004 onwards and replaced by the possible reclaiming of business expenses
- reimbursement of the cost of adequate security measures for their main private residence
- a 24-hour personal accident insurance with a fixed covered amount of EUR 1.8 million for members and EUR 2.5 million for the chairman
- contributions towards private health insurance, according to the policies applicable to all other ABN AMRO employees in the Netherlands
- preferential rates on bank products such as mortgages and loans, according to the same policies which apply to all other ABN AMRO staff in the Netherlands.

The following table summarises total reward, ABN AMRO options and shares and outstanding loans of current and former members of the Managing Board and Supervisory Board.

(in thousands of euros)	Managing Board		Supervisory Board	
	2003	2002	**2003**	2002
Periodic payments	**4,581**	5,056	**717**	523
Profit-sharing and bonus payments	**3,625**	3,313	**0**	0
Future benefits	**1,201**	2,252	**0**	0
ABN AMRO staff options *(conditional, granted options)* 1	**608,000**	592,000	**0**	0
ABN AMRO shares *(conditional, granted)* 1	**448,000**	518,000	**0**	0
ABN AMRO staff options *(outstanding)* 1	**2,003,675**	1,476,533	**0**	140,785 [2]
ABN AMRO shares *(cumulative conditionally granted, outstanding)* 1	**1,344,000**	896,000	**0**	0
ABN AMRO shares *(owned)* 1	**61,189**	44,740	**18,209**	16,788
Loans *(outstanding)*	**9,206**	10,128	**2,285**	9,022

1 *Number of shares / options.*
2 *Balance of the options granted to Mr P.J. Kalff during his membership of the Managing Board.*

The following tables summarise salaries, other periodic rewards and bonuses of individual Managing Board members and former members.

(in thousands of euros)	2003				2002			
	Base salary	Other periodic payment 1	Bonus	Pension costs 2	Base salary	Other periodic payment 1	Bonus	Pension costs 2
R.W.J. Groenink	**889**	**9**	**845**	**224**	889	9	705	229
W.G. Jiskoot	**635**	**7**	**550**	**155**	635	6	475	157
T. de Swaan	**635**	**18**	**575**	**260**	635	6	485	184
J. Ch. L. Kuiper	**635**	**19**	**600**	**229**	635	7	510	177
C.H.A. Collee	**635**	**6**	**505**	**140**	635	5	485	145
H.Y. Scott-Barrett	**635**	**458**	**550**	**193**	635	458	475	1,318 [3]
S.A. Lires Rial 4	**–**	**–**	**–**	**–**	237	264	178	42

1 *Other periodic payments comprise contributions towards private health insurance, representation allowance and foreigner allowance. Mr Scott-Barrett received a foreigner allowance of EUR 454 in 2003 and 2002.*
2 *Pension costs exclusively comprise pension service cost and post-retirement service cost computed on the basis of the FAS 87 and FAS 106 standards.*
3 *For Mr Scott-Barrett, including a one-time payment of EUR 1,189 to compensate for no pension accrual in previous years and related tax debits.*
4 *With effect from 15 May 2002, Mr Lires Rial left the bank.*

The following tables reflect movements in option holdings of the Managing Board as a whole and of individual Board members. The conditions governing the grant of options are included in the notes to the remuneration policy and item 16.

	2003		2002	
	Options held by Managing Board	Average exercise price (in euros)	Options held by Managing Board	Average exercise price (in euros)
Movements:				
Opening balance	**1,476,533**	**20.66**	1,853,786	20.74
Options granted	**608,000**	**14.45**	593,480	19.53
Options exercised / cancelled	**80,858**	**21.04**	70,604	15.39
Former and/or newly appointed members	**–**	**–**	(900,129)	20.49
Closing balance	**2,003,675**	**18.76**	1,476,533	20.66

	Opening balance	Exercise price (in euros)	Granted 1	Exercised/ cancelled	Closing balance	Stock price on exercise date	Year of expiration
R.W.J. Groenink							
Executive 1998	40,000	21.01		40,000	0		
Executive 1999	40,000	18.10			40,000		2004
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2	112,000	19.53			112,000		2012
Executive 2003 2		14.45	133,000		133,000		2013
AOR 1998	429	23.52		429	0		
AOR 1999	356	21.68			356		2004
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	308,706		133,000	40,429	401,277		
W.G. Jiskoot							
Executive 1998	40,000	21.01		40,000	0		
Executive 1999	40,000	18.10			40,000		2004
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2	80,000	19.53			80,000		2012
Executive 2003 2		14.45	95,000		95,000		2013
AOR 1999	356	21.68			356		2004
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	276,277		95,000	40,000	331,277		
T. de Swaan							
Executive 1999	40,000	18.10			40,000		2004
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2	80,000	19.53			80,000		2012
Executive 2003 2		14.45	95,000		95,000		2013
AOR 1999	356	21.68			356		2004
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	236,277		95,000		331,277		

1 *The option exercise price is the average ABN AMRO share price on 24 February 2003.*
2 *Conditionally granted.*

	Opening balance	Exercise price (in euros)	Granted 1	Exercised/ cancelled	Closing balance	Stock price on exercise date	Year of expiration
J.Ch.L. Kuiper							
Executive 1999	28,000	18.10			28,000		2004
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2	80,000	19.53			80,000		2012
Executive 2003 2		14.45	95,000		95,000		2013
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	223,567		95,000		318,567		
C.H.A. Collee							
Executive 1999	28,000	18.10			28,000		2004
Executive 2000	56,000	21.30			56,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2	80,000	19.53			80,000		2012
Executive 2003 2		14.45	95,000		95,000		2013
AOR 1998	429	23.52		429	0		
AOR 1999	356	21.68			356		2004
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	220,706		95,000	429	315,277		
H.Y. Scott-Barrett							
Executive 1999	20,000	18.10			20,000		2004
Executive 2000	56,000	21.30			56,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2	80,000	19.53			80,000		2012
Executive 2003 2		14.45	95,000		95,000		2013
	211,000		95,000		306,000		

1 *The option exercise price is the average ABN AMRO share price on 24 February 2003.*
2 *Conditionally granted.*

The following table shows movements in shares awarded conditionally in 2003 under the Performance Share Plan. The conditional award is based on the bank ranking fifth in the peer group. The number of shares awarded depends on the ranking of the ABN AMRO share in the peer group at the end of the four-year performance period and may range from 0% to 150% of these numbers.

	Opening balance	Granted	Un-conditional	Expired/ cancelled	Closing balance	Reference period
R.W.J. Groenink	98,000				98,000	2001-2004
	98,000				98,000	2002-2005
		98,000			98,000	2003-2006
W.G. Jiskoot	70,000				70,000	2001-2004
	70,000				70,000	2002-2005
		70,000			70,000	2003-2006
T. de Swaan	70,000				70,000	2001-2004
	70,000				70,000	2002-2005
		70,000			70,000	2003-2006
J. Ch. L. Kuiper	70,000				70,000	2001-2004
	70,000				70,000	2002-2005
		70,000			70,000	2003-2006
C.H.A. Collee	70,000				70,000	2001-2004
	70,000				70,000	2002-2005
		70,000			70,000	2003-2006
H.Y. Scott-Barrett	70,000				70,000	2001-2004
	70,000				70,000	2002-2005
		70,000			70,000	2003-2006

ABN AMRO ordinary shares held by Managing Board members [1]

	2003	2002
R.W.J. Groenink	**16,561**	15,645
W.G. Jiskoot	**18,602**	9,575
T. de Swaan	**6,458**	4,101
J. Ch. L. Kuiper	**2,803**	2,647
C.H.A. Collee	**657**	621
H.Y. Scott-Barrett	**16,108**	12,151
Total	**61,189**	44,740

1 *No (formerly convertible) preference shares were held by any Managing Board member.*

Loans from ABN AMRO to Managing Board members

(in thousands of euros)

	2003		2002	
	Out-standing on 31 Dec.	Interest rate	Out-standing on 31 Dec.	Interest rate
R.W.J. Groenink	**3,071**	**3.55**	3,325	4.01
W.G. Jiskoot	**1,681**	**4.14**	1,751	4.17
T. de Swaan	**1,407**	**2.35** [1]	1,407	2.75 [1]
J.Ch.L. Kuiper	**655**	**3.87**	955	4.23
C.H.A. Collee	**2,392**	**3.03**	2,691	3.61

1 *Variable rate.*

The decrease in outstandings between 31 December 2002 and 31 December 2003 is caused by redemptions.

The table below provides information on the remuneration of individual members of the Supervisory Board. Besides the Chairman, the Vice Chairman and the members of the Audit Committee members of the Supervisory Board receive the same remuneration, which depends on the period of membership during the year. Members of the Supervisory Board are not entitled to emoluments in the form of ABN AMRO shares or options on ABN AMRO shares.

Remuneration of the Supervisory Board

(in thousands of euros)	2003	2002
A.A. Loudon	**70**	54
M.C. van Veen	**60**	41
W. Dik	**45**	36
A. Burgmans	**48**	32
D.R.J. Baron de Rothschild 1	**40**	32
Mrs L.S. Groenman	**40**	36
Mrs T.A. Maas-de Brouwer	**48**	36
A.C. Martinez 1	**45**	21
M.V. Pratini de Moraes 1	**27**	–
P. Scaroni 1	**27**	–
Lord Sharman of Redlynch 1	**32**	–
P.J. Kalff 2	**40**	36
W. Overmars 3	**16**	41
C.H. van der Hoeven 3	**15**	41
H.B. van Liemt 4	**–**	19
S. Keehn 4	**–**	13

1 *Excluding an attendance fee.*
2 *Mr Kalff resigned on 30 October 2003.*
3 *Messrs Overmars and Van der Hoeven resigned on 29 April 2003.*
4 *Messrs Van Liemt and Keehn resigned on 2 May 2002.*

ABN AMRO ordinary shares held by Supervisory Board members 1

	2003	2002
M.C. van Veen	1,184	4,471
A. Burgmans	8,641	8,163
A.C. Martinez 2	3,000	3,000
M.V. Pratini de Moraes 2	5,384	–
Total	18,209	15,634

1 *No (formerly convertible) preference shares were held by any Supervisory Board member.*
2 *ADRs.*

Loans from ABN AMRO to Supervisory Board members
(in thousands of euros)

	2003		2002	
	Out-standing on 31 Dec.	Interest rate	Out-standing on 31 Dec.	Interest rate
W. Dik	185	3.70	–	–
A. Burgmans	2,100	3.60	2,100	4.30

Top Executive Compensation 2003

We described the current Managing Board remuneration structure above. The reward package for ABN AMRO's Senior Executive Vice Presidents (SEVPs), the second level of Top Executives, was also introduced in 2001 and, as with the Managing Board, was primarily aimed at maximising total returns to our shareholders.

The compensation for ABN AMRO SEVPs consists of the following core elements:
• Base pay. The base salaries are benchmarked against the relevant local markets. The current base salary median is at EUR 381,000.
• Performance bonus. The annual performance bonus is linked to the respective markets within the various countries of operation. The median bonus amount paid with respect to the 2003 performance year was EUR 450,000. Bonuses for individual SEVPs feature in a wide range, again reflecting market and location. For SEVPs no absolute maximum bonus level has been defined.
• Long term incentives such as stock options and the Performance Share Plan. Long term incentives are set at a lower level than the applicable yearly grants to Managing Board members under the Top Executive Stock Option and Performance Share Plan. All SEVPs receive identical grants.

In addition a number of benefits linked to the respective markets and countries of residence apply.

43 Cash flow statement

The cash flow statement gives details of the source of liquid funds which became available during the year and the application of the liquid funds over the course of the year. The cash flows are analysed into cash flows from operations / banking activities, investment activities and financing activities. Liquid funds include cash in hand, net credit balances on current accounts with other banks and net demand deposits with central banks. Movements in loans, total client accounts and interbank deposits are included in the cash flow from banking activities. Investment activities comprise purchases, sales and redemptions in respect of investment portfolios, as well as investments in and sales of participating interests, property and equipment. The issue of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

	2003	2002	2001
Cash	**12,734**	9,455	17,932
Bank balances *(debit)*	**4,293**	3,843	6,286
Bank balances *(credit)*	**(8,134)**	(5,797)	(10,565)
Liquid funds	**8,893**	7,501	13,653
Movements:			
Opening balance	**7,501**	13,653	16,105
Cash flow	**1,691**	(4,366)	(2,041)
Currency translation differences	**(299)**	(1,786)	(411)
Closing balance	**8,893**	7,501	13,653

Interest paid amounted to EUR 11,714 million; tax payments amounted to EUR 297 million.

Dividends received from participating interests amounted to EUR 30 million in 2003, EUR 42 million in 2002 and EUR 37 million in 2001.

The following table analyses movements resulting from acquisitions and dispositions.

	2003	2002	2001
Amounts paid / received in cash and cash equivalents on acquisitions / dispositions	**913**	205	3,204
Net movement in cash and cash equivalents	**267**	6	(21)
Net movement in assets and liabilities:			
Banks	**130**	105	92
Loans	**1,905**	420	13,369
Securities	**781**	70	(4,002)
Other assets	**407**	21	2,818
Total assets	**3,223**	616	12,277
Banks	**1,050**	81	(4,991)
Saving accounts	**313**	0	(3,798)
Total client accounts	**1,581**	469	13,315
Debt securities	**10**	0	(497)
Other liabilities	**462**	49	7,696
Total liabilities	**3,416**	599	11,725

44 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in transactions between two parties, other than in a forced sale or liquidation, and is best reflected by a quoted market price, if available. Most of ABN AMRO's assets, liabilities and off-balance sheet items are financial instruments. Wherever possible, market rates have been used to determine fair values.

However, for the majority of financial instruments, principally loans, deposits and OTC derivatives, fair values are not readily available since there is no market where these instruments are traded. For these instruments estimation techniques have been used. These methods are subjective in nature and involve assumptions, such as the period the financial instruments will be held, the timing of future cash flows and the discount rate to be applied. As a result, the approximate fair values presented below may not be indicative of the net realisable value. In addition, the calculation of approximate fair values is based on market conditions at a specific time and may not reflect future fair values.

The approximate fair values as stated by financial institutions are not mutually comparable due to the wide range of different valuation techniques and the numerous estimates. The lack of an objective valuation method means that approximate fair values are highly subjective. Readers should therefore exercise caution in using the information disclosed in this note for comparing the consolidated financial position of ABN AMRO with that of other financial institutions.

	31 December 2003		31 December 2002	
	Book value	Fair value	Book value	Fair value
Assets *(incl. off-balance sheet items)*				
• Cash	**12,734**	**12,734**	9,455	9,455
• Short-dated government paper 1,2	**9,240**	**9,259**	3,901	3,887
• Banks	**58,800**	**59,050**	41,924	42,473
• Loans to public sector	**5,489**	**5,494**	7,365	7,402
• Loans to private sector – commercial loans and professional securities transactions	**184,214**	**184,659**	195,067	196,367
• Loans to private sector – retail	**107,140**	**110,635**	108,471	112,020
• Interest-earning securities 1,3	**133,363**	**135,092**	142,499	145,155
• Shares 4	**16,245**	**16,131**	15,736	15,672
• Derivatives	**88,702**	**89,504**	74,065	75,169
Total	**615,927**	**622,558**	598,483	607,600
Liabilities *(incl. off-balance sheet items)*				
• Banks	**110,887**	**111,078**	95,884	95,787
• Savings accounts	**73,238**	**73,630**	74,249	75,572
• Corporate deposits	**81,636**	**81,779**	76,590	76,781
• Other client accounts	**134,992**	**135,099**	138,622	138,899
• Debt securities	**71,688**	**71,797**	71,209	72,588
• Subordinated debt	**13,900**	**14,555**	14,278	14,831
• Derivatives	**74,277**	**74,619**	75,271	76,044
Total	**560,618**	**562,557**	546,103	550,502

1 *Book values of short-dated government paper and interest-earning securities are equal to amortised cost.*
2 *Of which EUR 5,161 million was included in the trading portfolio at 31 December 2003.*
3 *Of which EUR 37,355 million was included in the trading portfolio at 31 December 2003.*
4 *Of which EUR 8,664 million was included in the trading portfolio at 31 December 2003.*

45 Acquisitions

In October 2003 Banco ABN AMRO Real S.A. acquired a 94.6% interest in Banco Sudameris Brasil S.A.. Total assets of Banco Sudameris Brasil S.A. amounted to EUR 3,490 million. The purchase consideration was EUR 657 million. Goodwill paid on this acquistion has been charged directly to shareholders'equity.

The acquisition of Banco Sudameris Brasil S.A. was partly paid by newly issued shares of Banco ABN AMRO Real S.A. at 82% above net asset value. As a consequence ABN AMRO's ownership of Banco ABN AMRO Real S.A. decreased and a gain (EUR 207 million) was recognised within shareholders' equity.

In addition ABN AMRO has a call option and the seller of Banco Sudameris Brasil S.A. has a put option to convert before June 2007 the newly issued Banco ABN AMRO Real S.A. shares into ABN AMRO Holding N.V. shares with an exercise price equal to 1.82 times the net asset value of the Banco ABN AMRO Real S.A. shares at time of exercise.

Company balance sheet at 31 December 2003 after profit appropriation

(in millions of euros)	**2003**	2002
Assets		
Banks **a**	**437**	458
Interest-earning securities **b**	**20**	15
Participating interests in group companies **c**	**12,656**	10,665
Prepayments and accrued income **e**	**8**	1
	13,121	11,139
Liabilities		
Deposits and other client accounts	**21**	15
Other liabilities **d**	**53**	43
Accruals and deferred income **e**	**0**	0
	74	58
Share capital	***1,732***	*1,704*
Share premium account	***2,549***	*2,543*
Revaluation reserves	***283***	*124*
Reserves prescribed by law and articles of association	***280***	*297*
Other reserves	***8,203***	*6,413*
Shareholders' equity	**13,047**	11,081
Own capital	**13,047**	11,081
	13,121	11,139

Company income statement for 2003

(in millions of euros)	**2003**	2002	2001
Profits of participating interests after taxes	**3,159**	2,199	3,218
Other profit after taxes	**2**	8	12
Net profit	**3,161**	2,207	3,230

Drawn up in accordance with section 2:402 of the Netherlands Civil Code.

Letters stated against items refer to the notes.

Notes to the company balance sheet and income statement *(all amounts are in millions of euros)*

a Banks

This item includes call loans to and other interbank relations with group companies.

b Interest-earning securities

The amount included in this item represents securitised receivables, such as commercial paper.

c Participating interests in group companies

Dividends payable by ABN AMRO Bank N.V to ABN AMRO Holding N.V. amounted to EUR 677 million (2002: EUR 639 million). Dividends received by ABN AMRO Bank N.V. from subsidiaries amounted to EUR 335 million (2002: EUR 294 million).

	2003	2002	2001
Development:			
Opening balance	**10,665**	11,817	12,602
Movements *(net)*	**1,991**	(1,152)	(785)
Closing balance	**12,656**	10,665	11,817

d Other liabilities

This item includes those amounts which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet item, such as interest receivable.

e Prepayments and accrued income and accruals and deferred income

These items include revenue and expenses recognised in the period under review, the actual receipt or payment of which falls in a different period.

f Share capital and reserves

For details refer to note 16.

g Guarantees

ABN AMRO Holding N.V. guarantees all liabilities of ABN AMRO Bank N.V.

Amsterdam, 12 March 2004

Supervisory Board

A.A. Loudon
M.C. van Veen
W. Dik
A. Burgmans
D.R.J. Baron de Rothschild
Mrs. L.S. Groenman
Mrs. T.A. Maas-de Brouwer
A.C. Martinez
M.V. Pratini de Moraes
P. Scaroni
Lord Sharman of Redlynch

Managing Board

R.W.J. Groenink
W.G. Jiskoot
T. de Swaan
J. Ch. L. Kuiper
C.H.A. Collee
H.Y. Scott-Barrett

Major subsidiaries and participating interests

(Unless otherwise stated, the bank's interest is 100% or almost 100%, on 12 March 2004. Those major subsidiaries and participating interests that are not 100% consolidated but are accounted for under the equity method (a) or proportionally consolidated (b) are indicated separately.)

ABN AMRO Bank N.V., Amsterdam

The Netherlands

AAGUS Financial Services Group N.V., Amersfoort (67%)
AA Interfinance B.V., Amsterdam
ABN AMRO Assurantie Holding B.V., Zwolle
ABN AMRO Bouwfonds N.V., Hoevelaken *(voting right 50%)*
ABN AMRO Effecten Compagnie B.V., Amsterdam
ABN AMRO Mellon Global Securities B.V., Amsterdam (50%) (b)
ABN AMRO Participaties B.V., Amsterdam
ABN AMRO Projectontwikkeling B.V., Amsterdam
ABN AMRO Trustcompany (Nederland) B.V., Amsterdam
ABN AMRO Ventures B.V., Amsterdam
Amstel Lease Maatschappij N.V., Utrecht
Delta Lloyd ABN AMRO Verzekeringen Holding B.V., Zwolle (49%) (a)
Dishcovery Horeca Expl. Mij B.V., Amsterdam
Hollandsche Bank-Unie N.V., Rotterdam
IFN Group B.V., Rotterdam
LeasePlan Corporation N.V., Almere
Nachenius, Tjeenk & Co. N.V., Amsterdam
Solveon Incasso B.V., Utrecht
Stater N.V., Hoevelaken (60% ABN AMRO Bank N.V., 40% ABN AMRO Bouwfonds N.V.)

Outside the Netherlands

Europe

ABN AMRO Asset Management Ltd., London
ABN AMRO Asset Management (Czech) a.s., Brno
ABN AMRO Bank A.O., Moscow
ABN AMRO Bank (Deutschland) A.G., Frankfurt am Main
- ABN AMRO Asset Management (Deutschland) A.G., Frankfurt am Main

ABN AMRO Bank (Luxembourg) S.A., Luxembourg
- ABN AMRO Investment Funds S.A., Luxembourg
- ABN AMRO Trust Company (Luxembourg) S.A., Luxembourg

ABN AMRO Bank (Polska) S.A., Warsaw
ABN AMRO Bank (Romania) S.A., Bucharest
ABN AMRO Bank (Schweiz) A.G., Zurich
ABN AMRO Capital Ltd., London
ABN AMRO Corporate Finance Ltd., London
ABN AMRO Equities (UK) Ltd., London
ABN AMRO France S.A., Paris
- ABN AMRO Fixed Income (France) S.A., Paris
- ABN AMRO Securities (France) S.A., Paris
- Banque de Neuflize, Schlumberger, Mallet, Demachy S.A., Paris
- Banque Odier Bungener Courvoisier, Paris

ABN AMRO Futures Ltd., London
ABN AMRO International Financial Services Company, Dublin
ABN AMRO Stockbrokers (Ireland) Ltd., Dublin
ABN AMRO Trust Company (Jersey) Ltd., St. Helier
ABN AMRO Trust Company (Suisse) S.A., Geneva
Alfred Berg Holding A/B, Stockholm
Antonveneta ABN AMRO Societa di Gestione del Risparmio SpA, Milan (45%) (a)
Artemis Investment Management Ltd., Edinburgh (58%)
Banca Antonveneta SpA, Padova (13%) (a)
Capitalia SpA, Roma (9%) (a)
CM Capital Markets Brokerage S.A., Madrid (45%) (a)
Delbrück & Co., A.G., Cologne
Hoare Govett Ltd., London
Kereskedelmi és Hitelbank Rt., Budapest (40%) (a)

Middle East

Saudi Hollandi Bank, Riyadh (40%) (a)

Rest of Asia

ABN AMRO Asia Ltd., Hong Kong
ABN AMRO Asia Corporate Finance Ltd., Hong Kong
ABN AMRO Asia Futures Ltd., Hong Kong
ABN AMRO Asia Securities Plc., Bangkok (40%) (a)
ABN AMRO Asset Management (Asia) Ltd., Hong Kong
ABN AMRO Asset Management (Japan) Ltd., Tokyo
ABN AMRO Asset Management (Singapore) Ltd., Singapore

ABN AMRO Asset Management (Taiwan) Ltd., Taïpeh
ABN AMRO Bank Berhad, Kuala Lumpur
ABN AMRO Bank (Kazakhstan) Ltd, Almaty (80%)
ABN AMRO Bank N.B., Uzbekistan A.O., Tashkent (58%)
ABN AMRO Bank (Philippines) Inc., Manilla
ABN AMRO Central Enterprise Services Private Ltd., Mumbai
ABN AMRO Management Services (Hong Kong) Ltd., Hong Kong
ABN AMRO Securities (India) Private Ltd., Mumbai (75%)
ABN AMRO Securities (Japan) Ltd., Tokyo
Bank of Asia, Bangkok (81%)
PT ABN AMRO Finance Indonesia, Jakarta (70%)

Australia

ABN AMRO Australia Ltd., Sydney
ABN AMRO Asset Management (Australia) Ltd., Sydney
ABN AMRO Asset Securitisation Australia Pty Ltd., Sydney
ABN AMRO Corporate Finance Australia Ltd., Sydney
ABN AMRO Equities Australia Ltd., Sydney
ABN AMRO Securities Australia Ltd., Sydney
ABN AMRO Equities Capital Markets Australia Ltd., Sydney

New Zealand

ABN AMRO New Zealand Ltd., Auckland

North America

ABN AMRO Bank N.V., Canada Branch, Toronto
ABN AMRO Bank (Mexico) S.A., Mexico City
ABN AMRO North America Holding Company, Chicago *(holding company, voting right 100%, equity participation 89%)*
LaSalle Bank Corporation, Chicago
LaSalle Bank N.A., Chicago
ABN AMRO Financial Services, Inc., Chicago
ABN AMRO Asset Management (USA) LLC, Chicago
LaSalle Business Credit, Inc., Chicago
Standard Federal Bank N.A. Troy
ABN AMRO Mortgage Group, Inc., Chicago
ABN AMRO WCS Holding Company, New York
ABN AMRO Advisory, Inc., Chicago (81%)
ABN AMRO Commodity Finance, Inc., Chicago
ABN AMRO Capital (USA) Inc., Chicago
ABN AMRO Leasing, Inc., Chicago
ABN AMRO Incorporated, Chicago
ABN AMRO Sage Corporation, San Francisco
ABN AMRO Rothschild LLC, New York (50%) (b)
ABN AMRO Asset Management Holdings, Inc., Chicago
ABN AMRO Asset Management (USA) Inc., Chicago
Montag & Caldwell, Inc., Atlanta

Latin America and the Caribbean

ABN AMRO Asset Management Argentina Sociedad Gerente de FCI S.A., Buenos Aires
ABN AMRO Asset Management (Curaçao) N.V., Willemstad
ABN AMRO Asset Management Ltda., São Paulo
ABN AMRO Bank (Chile) S.A., Santiago de Chile
ABN AMRO Bank (Colombia) S.A., Bogota
ABN AMRO Brasil Participaçôes Financeiras S.A., São Paulo
ABN AMRO (Chile) Seguros Generales S.A., Santiago de Chile
ABN AMRO (Chile) Seguros de Vida S.A., Santiago de Chile
ABN AMRO Trust Company (Curaçao) N.V., Willemstad
Banco ABN AMRO Real S.A., São Paulo (86%)
Banco Sudameris Brasil S.A., São Paulo (81%)
Banco do Estado de Pernambuco S.A., Recife (86%)
Real Paraguaya de Seguros S.A., Asunción
Real Previdência e Segures S.A., São Paulo
Real Uruguaya de Seguros S.A., Montevideo

For the investments of LeasePlan Corporation N.V. and ABN AMRO Bouwfonds N.V., the reader is referred to the separate annual reports published by these companies.

The list of participating interests under which statements of liability have been issued has been filed at the Amsterdam Chamber of Commerce.

Other information

Auditors' report

Introduction

We have audited the financial statements of ABN AMRO Holding N.V., Amsterdam for the year 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Amsterdam, 12 March 2004
Ernst & Young Accountants

Stipulations of the articles of association with respect to profit appropriation

Profit is appropriated in accordance with article 37 of the articles of association. The main stipulations with respect to classes and series of shares currently in issue are as follows:

1 The holders of preference shares will receive a dividend of EUR 0.12432 per share, representing 5.55% of the face value. As of 1 January 2011, and every ten years thereafter, the dividend will be adjusted in line with the average redemption yield on the five longest-dated government loans, plu an increment of no less than 0.25 of a percentage point and no more than one percentage point (article 37.2.a.2.).

The holders of preference shares that were formerly convertible into ordinary shares will receive a dividend of EUR 0.95 per share, representing 3.32% of the amount paid on each share. As of 1 January 2014, the dividend on such shares will be adjusted in line with the redemption yield on government loans with an original or remaining term to maturity of nine to ten years, plus an increment or less a reduction of no more than one percentage point (article 37.2.b.4. and b.3.).

No profit distributions will be made to holders of preference shares in excess of the maxima defined above (article 37.2.a.6.).

2 From the profit remaining after these distributions, such appropriations will be made to reserves as may be determined by the Managing Board with the approval of the Supervisory Board (article 37.2.b.).

3 The balance then remaining will be paid out as ordinary share dividend (article 37.2.c.). The Managing Board can make the ordinary share dividend payable, at the shareholders' option, either in cash or entirely or partly in the form of ordinary or preference shares (article 37.3.).

Stipulations of the articles of association with respect to shares

Each ordinary share of EUR 0.56 face value in the capital of ABN AMRO Holding N.V. entitles the holder to cast one vote. The other shares in the capital have a face value of EUR 2.24 and are entitled to four votes. Subject to certain exceptions provided for by law or in the articles of association, resolutions are passed by an absolute majority of the votes cast.

However, one ordinary share requires a significantly larger investment than one preference share. This is related to the stock market price. To compensate for this difference, under normal circumstances[1] holders of depositary receipts for preference shares will have the opportunity to acquire voting rights in the meeting of shareholders by proxy in proportion to the economic value of a preference share against that of an ordinary share. The number of votes obtainable in this way is calculated using the following formula: total stock market value of depositary receipts held divided by the ordinary share price. The Stichting Administratiekantoor ABN AMRO Holding (the 'Foundation') will exercise the voting rights in respect of preference shares for which no proxies have been issued, again according to their economic value.

The Executive Committee of the Foundation will decide separately for each meeting of shareholders whether to make voting proxies available. If the Foundation believes that extraordinary circumstances[2] prevail, it may choose not to issue voting proxies or to withdraw proxies issued earlier.

Subject to certain exceptions, upon the issuance of ordinary shares and convertible preference shares, holders of ordinary shares have pre-emptive rights in proportion to their holdings. Upon the issuance of convertible preference shares, subject to certain limitations, holders of convertible preference shares have pre-emptive rights in proportion to their holdings.

In the event of the dissolution and liquidation of ABN AMRO Holding N.V., the assets remaining after payment of all debts are distributed first to the holders of preference shares and (formerly convertible) preference shares on a pro rata basis, in an amount equal to all dividends accrued from the beginning of the most recent full financial year through the date of payment and then the face value of the preference shares or the amount paid in on the convertible preference shares respectively, and thirdly to the holders of ordinary shares on a pro rata basis.

International Financial Reporting Standards

In accordance with European Regulations, ABN AMRO will adopt IFRS for external reporting purposes from 2005. ABN AMRO commenced preparations for the adoption of IFRS in 2001 with a gap analysis between Dutch GAAP and IFRS to determine the key financial, business and system impacts. In the course of 2002, ABN AMRO has made the key changes required to accounting and reporting procedures and consolidation systems in order to adopt IFRS for dual reporting purposes from 1 January 2004. Other significant system changes such as those relating to financial instruments fair valuation, hedge accounting, asset provisioning and effective interest rate requirements were started in 2003 and are continuing in 2005 to further automate the IFRS requirements. There is an ongoing training initiative for the staff and senior management of ABN AMRO in the new standards with intensive training programmes already having been undertaken in 2003. The key impacts on ABN AMRO from the adoption of IFRS arise from the IAS 39 and 32 standards relating to financial instruments and IAS 19 relating to post retirement benefits, which standards still are not finalised. ABN AMRO continues to participate in and monitor external developments from the IASB and the EU with respect to adoption of IFRS.

1 *Normal circumstances shall be understood to mean a situation where the independence and/or continuity of ABN AMRO Holding N.V. is not threatened.*
2 *Extraordinary circumstances shall be understood to mean a situation where the independence and/or continuity of ABN AMRO Holding N.V. or its related companies is threatened. Examples include a public offer for the bank's shares or an imminent offer, or the existence of a substantial interest in the bank's capital without the approval of the Managing Board and the Supervisory Board.*

Proposed profit appropriation

Appropriation of net profit pursuant to article 37.2 and 37.3 of the articles of association

	2003	2002	2001
Dividends on preference shares	**45**	45	45
Dividends on convertible preference shares	**0**	1	1
Addition to reserves	**1,572**	745	1,810
Dividends on ordinary shares	**1,544**	1,416	1,374
	3,161	2,207	3,230

Shareholders' equity and net profit under US GAAP

For NYSE listing purposes, ABN AMRO also determines shareholders' equity and net profit in accordance with accounting principles generally accepted in the United States (US GAAP). The following is a summary of the main differences from accounting principles generally accepted in the Netherlands and the adjustments to shareholders' equity and net profit that would have been required if US GAAP had been applied in the preparation of the consolidated financial statements.

Goodwill and other acquired intangibles

Goodwill is capitalised and deemed to have an indefinite life. As of 1 January 2002, amortisation is no longer permitted but the goodwill will be subject to an annual impairment test. Other acquired intangibles are capitalised and amortised on a straight-line basis over the estimated useful life, not exceeding 15 years. When deemed necessary accelerated amortisation is realised for impairment. Under present Dutch GAAP it is still allowed to charge the goodwill against shareholders' equity at the time of the acquisition, as is also required for solvency reporting towards Dutch central bank and Federal Reserve. As a consequence there is no amortisation of goodwill or impairment tests under Dutch GAAP.

Debt restructuring

Securities acquired as part of debt restructuring programmes, such as Brady bonds, are recorded at estimated market value at the balance sheet date.

Investment portfolio securities

All bonds and similar debt securities included in the investment portfolio are classified as 'available for sale' and stated at market value. Gains or losses on sales are taken direct to the income statement; unrealised valuation differences are accounted for in shareholders' equity.

Other than temporary impairment

To judge if an impairment is other than temporary, under US GAAP a much shorter time horizon (six months) is applied.

Participating interests

Participating interests without influence are stated at purchase price or sustained lower fair value.

Property

Bank premises are stated at cost and fully depreciated on a straight-line basis over their useful lives.

Post-employment benefits

All contractual commitments after employment but before retirement are recognised when the rights are vested and the obligation is probable and quantifiable.

Employee incentive plans

Conditional employee incentive plans are expensed differently over the reporting period under Dutch GAAP and US GAAP.

Provisions and Contingencies

The conditions to recognize a liability of uncertain timing or amount are consisitent with Dutch GAAP. However, under FAS 146 the timing of recognition of the liabilities may differ.

Derivatives

Beginning 2001, all derivatives are recognised at their market value. Changes in the market value of fair value hedges are directly reflected in the income statement, and those of qualifying cash flow hedges in shareholders' equity. Only if the strict criteria for hedge accounting for fair value hedging are met the changes in the market value of the hedged items are also directly reflected in the income statement.

Mortgage banking activities

With the adoption of FAS 133 the carrying amount of mortgage servicing rights under US GAAP, a component of our mortgage banking activities, does not include deferred gains and losses on derivative hedges. As a consequence the valuation allowance under US GAAP differs from the valuation allowance under Dutch GAAP.

Internal use software

Beginning 2001, under Dutch GAAP, internal costs incurred in connection with developing or obtaining software for internal use were capitalised, similar to the US GAAP principle already applied. Costs previously capitalised under US GAAP will residually amortise so that within three years no difference remains.

Deferred tax assets and liabilities

Deferred tax liabilities and deferred tax assets are computed on a non-discounted basis, using current tax rates.

Reconciliation

The following table summarises the significant adjustments to ABN AMRO's consolidated shareholders' equity and net profit which would result from the application of US GAAP.

	Shareholders' equity		Net profit	
	2003	2002	**2003**	2002
Shareholders' equity and net profit under Dutch GAAP	**13,047**	11,081	**3,161**	2,207
Goodwill and other acquired intangibles	**5,838**	6,399	**(60)**	(1,002)
Debt restructuring	**58**	(49)	**–**	(17)
Investment portfolio securities	**3,184**	2,949	**698**	1,187
Other than temporary impairment	**(83)**	–	**(83)**	–
Participating interests	**(83)**	–	**–**	–
Property	**(153)**	(147)	**43**	13
Post-employment benefits	**–**	(17)	**17**	6
Employee incentive plans	**94**	133	**(28)**	82
Contingencies	**144**	–	**147**	(54)
Derivatives	**(487)**	(37)	**(598)**	79
Mortgage banking activities	**105**	122	**4**	151
Internal use software	**–**	91	**(91)**	(122)
Taxes	**(1,521)**	(1,558)	**(91)**	(420)
Dividends	**–**	46	**–**	–
Shareholders' equity and net profit under US GAAP	**20,143**	19,013	**3,119**	2,110
Shareholders' equity per share under US GAAP	**11.80**	11.47		
Basic earnings per share under US GAAP			**1.91**	1.32
Diluted earnings per share under US GAAP			**1.90**	1.32

Return on equity to ordinary shareholders under US GAAP increased from 10.8% in 2002 to 16.4% in 2003.

ABN AMRO Holding N.V.

Supervisory Board

A.A. Loudon (67)*
Chairman – 2006
Former Chairman of the Board of Management of AKZO Nobel N.V.

M.C. van Veen (69)*#
Vice Chairman – 2005
Former Chairman of the Board of Koninklijke Hoogovens N.V.

W. Dik (65)# – 2005
Former Chairman of the Board of Management of Royal KPN N.V.
Former State Secretary for Foreign Trade

A. Burgmans (57)* – 2006
Chairman of the Board of Unilever N.V.

D.R.J. Baron de Rothschild (61) – 2007
Senior partner Rothschild & Cie Banque, Deputy Chairman NM Rothschild Group (incl. NM Rothschild & Sons Ltd.)

Mrs L.S. Groenman (63) – 2007
Former Crown member Sociaal-Economische Raad (SER)

Mrs T.A. Maas-de Brouwer (57)* – 2004
Hay Group bv

A.C. Martinez (64)# – 2006
Former Chairman, President and Chief Executive Officer of Sears Roebuck & Co. Inc., Chicago

M.V. Pratini de Moraes (64) – 2007
Former Minister of Agriculture, Livestock and Food Supply, Brazil

P. Scaroni (57) – 2007
Chief Executive Officer of Enel S.p.A., Italy

Lord C.M. Sharman of Redlynch (61)# – 2007
Former Chairman of KPMG International, UK

The numbers against each name are the age (in brackets) and the year of periodical resignation.
A curriculum vitae, including other important positions and nationality, is available at the company's office.

** Member of the Nomination & Compensation Committee.*
 # Member of the Audit Committee.

Managing Board

R.W.J. Groenink (54), Chairman
W.G. Jiskoot (53)
T. de Swaan (58)
J.Ch.L. Kuiper (56)
C.H.A. Collee (51)
H.Y. Scott-Barrett (45)

Company Secretary

H. Duijn

Advisory Council

J. Aalberts
President and CEO of Aalberts Industries N.V.

M.P. Bakker
Chairman of the Managing Board and CEO of TPG N.V.

J. Bennink
Chairman of the Executive Board of Royal Numico N.V.

R.J.A. van der Bruggen
Chairman of the Board of Management of Imtech N.V.

G.J. Doornbos
Chairman of LTO Nederland

R. van Gelder BA
Chairman of the Management Board of Royal Boskalis Westminster N.V.

P.E. Hamming
Chairman of the Board of Management of Royal Vendex KBB N.V.

S.J. van Kesteren
Chairman of the Board of Management of Draka Holding N.V.

Ms N. McKinstry
Chairman of the Executive Board of Wolters Kluwer N.V.

G-J. Kramer Msc
President and CEO of Fugro N.V.

A. Nühn
Chairman of the Board of Management of Sara Lee DE International B.V.

A.A. Olijslager
Chairman of the Board of Management of Friesland Coberco Dairy Foods B.V.

H.Th.E.M. Rottinghuis
President and CEO of the Board of Directors of Pon Holdings B.V.

P.J.J.M Swinkels
CEO of Bavaria N.V.

J.A.J. Vink
Chairman of the Board of Management of CSM nv

L.M. van Wijk
President and CEO KLM Royal Dutch Airlines

Situation as at 12 March 2004.

Organisation of ABN AMRO Bank N.V.

Managing Board

Chairman
Rijkman Groenink

Members
Wilco Jiskoot
Tom de Swaan (CFO)
Joost Kuiper
Dolf Collee
Hugh Scott-Barrett (COO)

Group Business Team:

Rijkman Groenink (Chairman)
Wilco Jiskoot
Tom de Swaan
Joost Kuiper
Dolf Collee
Hugh Scott-Barrett
Norman Bobins
Jan Peter Schmittmann
Fabio Barbosa
Lex Kloosterman
Piero Overmars
Alexandra Cook-Schaapveld
Huibert Boumeester
Maurice Oostendorp

Consumer & Commercial Clients

Executive Committee
Joost Kuiper (Chairman)
Dolf Collee
Jan Peter Schmittmann
Fabio Barbosa
Norman Bobins
Lex Kloosterman

Joost Kuiper

North America
Norman Bobins (CEO)
Vice Chairman – Mortgage
Scott Heitmann
Vice Chairman
Thomas C. Heagy
Mass Affluent & Consumer Businesses
David Rudis
Commercial Banking
Larry Richman
Real Estate & Capital Markets
John Newman
Vice Chairman – COO/CIO
Hill Hammock
CFO
Thomas Goldstein
Chief Credit Officer
Terry Bulger
Chief Legal Officer
Willie Miller jr.

Netherlands
Jan Peter Schmittmann (CEO)
Value Center Advisory
Paulus de Wilt
Value Center Retail
Chris Vogelzang
Value Center Corporate Clients
Wietze Reehoorn
CFO/COO
Paul Loven
Credit & Risk Management
Arnoud Rikkers
Business Support Services
Johan van Hall
Human Resources
Robert Charlier

Dolf Collee

Brazil
Fabio Barbosa (CEO)
Chief Commercial Officer
Michiel Kerbert
Risk Management & COO
José Louiz Majolo
CFO
Pedro Paulo Longuini
Treasury
José Berenguer
Insurance
Julio Bierrenbach
Consumer Finance
Enilson Souza

New Growth Markets
Lex Kloosterman (CEO)
CFO/COO
Jawaid Mirza
Human Resources
Rein Heddema
Special Relations
Jan Koopman
Business Development
Paul Lembrechts
India
Romesh Sobti
Greater China
Jerry Letendre
Emerging Growth Markets
Boe Pahari
Saudi Hollandi Bank
Peter Baltussen
Bank of Asia
Singhakowin Chulakorn

Wholesale Clients

Executive Committee
Wilco Jiskoot
Ron Teerlink (COO)
Samuel Zavatti
Alexandra Cook-Schaapveld
Piero Overmars
Rob van Paridon
Nigel Turner
Steven Gregg

Wilco Jiskoot

Clients
Financial Institutions & Public Sector
Samuel Zavatti
Global Specialised Industries
Alexandra Cook-Schaapveld
Industrials
Steven Gregg

Products
Financial Markets
Piero Overmars
Working Capital
Rob van Paridon
Corporate Finance/Equities
Nigel Turner
Private Equity
Gerben Kuyper

Support
Services
Ron Teerlink
Finance (CFO)
David Cole
Human Resources
Oscar Strugstad
Change Management
Caroline Rainbird
Strategic Decision Support
Byron Haynes
Legal & Compliance
Laurie Adams
Wholesale Clients Communication
Marie-Christine Poulain
IT
Michael Geslak

Private Clients & Asset Management

Executive Committee
Dolf Collee
Wilco Jiskoot
Lex Kloosterman
Huibert Boumeester

Dolf Collee
Private Clients
Lex Kloosterman (CEO)
CFO/COO
Jawaid Mirza
Human Resources
Rein Heddema
Special Relations
Jan Koopman
Business Development
Paul Lembrechts
International Private Clients
Reinout van Lennep
Private Clients Netherlands
Jos ter Avest

Private Clients France
Jean Louis Milin
Paul Scholten
Private Clients Germany
Rüdiger von Wedel
Private Clients Belgium/
Scandinavia/OBC
Maggiel Scalongne

Wilco Jiskoot
Asset Management
Huibert Boumeester
(CEO)
CFO/COO
Bert Schouws
Institutional Sales
John Hartshorn
United States
Russell Campbell
Netherlands
Pieter Croockewit
Europe
Arnulf Manns
United Kingdom
Paul Abberley

Asia Pacific
Frank Kusse
Nordics & Central and
Eastern Europe
Arne Lindman
South America
Luiz Maia
Portfolio Management/Chief
Investment Officer
Andrew Fleming
Trust
Jos Kallen
Human Resources
Caroline Baker

Corporate Centre

Rijkman Groenink
Corporate Development
Wietze Reehoorn
(ad interim)
Group Human Resources
Garmt Louw
Corporate Communications
Robin Boon/
Richard Bruens
(ad interim)
Group Audit
Peter Diekman

Tom de Swaan
Group Finance
Eltjo Kok
Group Risk Management
Herman Mulder (Credit
Risk)
Jan Sijbrand (Market &
Operational Risk)
Karl Guha (Structured
Risk Interface)
Group Legal & Compliance
Jaap Kamp

Group Audit*
Peter Diekman
Economic Department
Robert van den Bosch

Hugh Scott-Barrett
Group Organisation &
Standards
Jolle Dekker
Group SDS
David Korslund
Group Human Resources*
Garmt Louw
Corporate Communications*
Robin Boon/Richard
Bruens (ad interim)

European Union Affairs &
Market Infrastructure
Gerard Hartsink

* managerial issues

Group Shared Services

Hugh Scott-Barrett
Group Shared Services
Maurice Oostendorp
(CEO)
ACES
Meera Sanyal
European Payments Centre
Robert Langeveld
HR Shared Services
Mike Hampson
IT
Lars Gustavsson
Global Procurement
David Moon

Situation as at 12 March 2004.

Stichting Administratiekantoor ABN AMRO Holding

Stichting Administratiekantoor ABN AMRO Holding (the 'Foundation') holds and administers the registered preference shares of ABN AMRO Holding N.V. and issues depositary receipts against the shares entrusted to it. The depositary receipts may be exchanged for the underlying shares to a limited extent. The Executive Committee of the Foundation reports on its activities in compliance with Article 14 of the Trust Conditions.

The Executive Committee met twice in 2003 and also attended the General Meeting of Shareholders. Items discussed at the Executive Committee meetings included the company's annual and interim results, the amendments to the Articles of Association of ABN AMRO Holding N.V., in particular ABN AMRO Holding N.V. leaving the Large Company Regime, and the agenda for the General Meeting of Shareholders. The proposals of the Corporate Governance Committee (Tabaksblat Committee) for a Dutch Corporate Governance Code were extensively discussed at the August meeting of the Executive Committee. Further developments in this area will be closely monitored.

Administrative tasks were also carried out at the meetings of the Executive Committee. In addition, the Executive Committee was informed of strategic and organisational developments within the bank.

The Executive Committee again decided to grant proxy voting rights against preference shares to holders of depositary receipts for the General Meeting of Shareholders on 29 April 2003. At the General Meeting of Shareholders 24.1% of the depositary receipts were represented. Depositary receipt holders received voting rights in proportion to the economic value of the preference shares relative to the ordinary shares. The Foundation's Executive Committee exercised the voting rights attached to the preference shares for which no proxies were issued according to the same proportion.

On 31 December 2003, registered preference shares with a face value of EUR 811,921,129.60 were administered, against which an equal nominal amount of bearer depositary receipts had been issued.

The administration of the shares referred to above is carried out by the Foundation's chief accountant, Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V., Amsterdam.

Amsterdam, 12 March 2004

Executive Committee
E.F. van Veen, Chairman
A. Heeneman, Vice Chairman
R.W.J. Groenink, Secretary

Declaration of independence

The Managing Board of ABN AMRO Holding N.V. and the Executive Committee of Stichting Administratiekantoor ABN AMRO Holding hereby declare that in their joint opinion the requirements concerning the independence of the members of the Executive Committee of Stichting Administratiekantoor ABN AMRO Holding as referred to in Appendix X to the Listing and Issuing Rules of Euronext N.V. in Amsterdam have been satisfied.

Amsterdam, 12 March 2004

ABN AMRO Holding N.V.
Managing Board

Stichting Administratiekantoor
ABN AMRO Holding
Executive Committee

Dutch Central Works Council

2003 was the second year of the 2002-2005 cycle for Dutch staff councils. Important issues which arose during the year included:

- Carrying out the reorganisation of the Netherlands BU under the 'No Detours' programme; the reorganisation of Transaction Services and IT; outsourcing of WCS IT activities to EDS; and the joint venture with Delta Lloyd
- Corporate governance revisions, such as increased influence for shareholders
- Establishment of GSS, leading to cheaper shared services across SBUs and to moving activities offshore to India.

The introduction of the SBU structure three years ago devolved a lot of the Central Works Council's (CWC) responsibilities to the SBU Councils. This created an opportunity for the CWC to manage issues more thematically. Different arrangements can be made with the relevant Councils to handle different issues, as with the body set up to deal with outsourcing. To avoid conflicts in communications, we have also reached procedural agreements with the unions responsible for some labour issues.

We were informed in good time of the proposal to appoint Messrs M.V. Pratini de Moraes, P. Scaroni and Lord Sharman of Redlynch to the Supervisory Board.

The CWC met seven times, mostly as scheduled, with the responsible member of the Managing Board. One or more members of the Supervisory Board attended and were asked to participate in these meetings. This regular contact with the Supervisory Board is much appreciated.

Sourcing policy was prominent on the agenda for these discussions, but the CWC was also asked for its opinion on, and approval of, other issues such as governance, the independence of ARBO (employees' health and welfare) services and the Global Stock Option Plan.

At two meetings, the Chairman of the Managing Board discussed the 2002 results and the 2003 interim results in detail. Many of the questions asked were about the future, and the chairman responded with an openness characteristic of ABN AMRO's culture.

The CWC is fully committed to playing its part in promoting our bank's prosperity. On behalf of all ABN AMRO's staff councils, we would like to express our appreciation of the climate of mutual trust pervading relations with management.

Amsterdam, 31 December 2003

Central Works Council

Profile of Supervisory Board membership

This membership profile has been drawn up by the Supervisory Board and Managing Board in joint consultation.

It is of crucial importance that the General Meeting of Shareholders, the Central Works Council and the Managing Board apply the same criteria to recommending candidates for appointment to the Supervisory Board. The Central Works Council will receive the membership profile for information purposes. The Supervisory Board will compare all recommendations with the profile.

The statutory requirements form the basis for defining the duties of the Supervisory Board. Section 140 (2) of Book 2 of the Netherlands Civil Code defines these duties as: 'Supervising the conduct of business of the management as well as the general course of affairs in the Company and its affiliated enterprise. The supervisory board shall assist management by providing advice. The members of the supervisory board shall be guided in the performance of their duties by the interests of the Company and those of its affiliated enterprise.'

The Board and its individual members may not, therefore, represent any particular interests, for example as a consequence of their appointment on the recommendation of a specific group. This is fundamentally different from contributing specific individual expertise. The Supervisory Board thus consists of independent members who must exclusively be guided in the performance of their duties by the interests of the company as a whole and be critical towards each other and the Managing Board. They may focus on particular interests, but such interests must always be secondary to those of the company. Every Supervisory Board member performs his or her duties as an independent individual, not as a representative of groups or organisations in which he or she is involved.

Furthermore, Section 162 of Book 2 of the Netherlands Civil Code stipulates that the Supervisory Board shall appoint and dismiss the members of the Managing Board of the company.

Pursuant to Section 158 (6) of Book 2 of the Netherlands Civil Code, the following aspects must be taken into consideration when assessing candidates recommended for appointment or reappointment:

a. candidates must be 'suitable' to fulfil the duties of Supervisory Board members
b. the composition of the Supervisory Board must be 'appropriate' to the task.

To meet these requirements, the Supervisory Board as a whole must be able to competently perform the following tasks:

a. appointment of Managing Board members and assessment of the Managing Board's functioning;
b. assessment of the Company's corporate strategy and general policy;
c. assessment of the development of the Company's financial position;
d. assessment of the Company's risk management and other systems;
e. assessment of the Company's organisational structure;
f. assessment of the Company's social policy.

The above tasks are not listed in order of importance, but carry equal weight.

The composition of the Supervisory Board can be regarded as appropriate if the Supervisory Board as a whole satisfies the following criteria and, in respect of item 3, if each individual member does so:

1. specific expertise with respect to one or more aspects of corporate policy;
2. broad experience in society;
3. awareness of developments in society.

In order to translate these criteria into more concrete terms, a number of aspects that should receive particular consideration are listed below. These relate to the great diversity of issues the bank encounters in the operation of its business in the Netherlands, and to its international network of branches, offices and affiliated banks, spanning many countries outside the Netherlands:

- understanding of, or experience in, managing a large organisation operating both domestically and internationally
- understanding of, or experience with, international issues, if possible from postings in foreign countries
- understanding of the interests of specific business or personal customer groups in the Netherlands or abroad with which the bank maintains a relationship
- understanding of, or experience with, interpersonal relations within companies and relationships between industry and society
- understanding of national and international banking.

In principle, not more than one former member of the Managing Board will serve on the Supervisory Board and this individual will not serve as Chairman.

It is not desirable to appoint a permanently delegated Supervisory Board member.

In accordance with the Articles of Association, members are appointed to the Supervisory Board for a term of four years, after which direct reappointment is possible. Members may serve a maximum of 12 years from the date of their first appointment as member of the Supervisory Board.

In principle, a Supervisory Board member will resign following the first General Meeting of Shareholders after he or she reaches age 70. The primary position and/or number and nature of any memberships on other supervisory boards must not hinder members' ability to function adequately. A member of the Supervisory Board shall report any changes in his or her duties and memberships of other supervisory boards. During service on the board, there should be no changes to a member's position which would hinder the ability to independently execute his or her supervisory duties, whether through hierarchical subordination within a group, through cross-relationships or other relations with individuals under his or her supervision or due to important circumstances as specified in the regulations.

Taking these considerations and the bank's international focus into account, the appointment of a number of non-Dutch nationals to the Board is desirable.

When appointed, members of the Supervisory Board will subscribe to the bank's Corporate Values and Business Principles.

Finally, it is important that every Supervisory Board member, and hence all who are recommended for appointment or reappointment, be compatible with the existing membership. As with any corporate committee, a healthy team spirit is highly conducive to the effective functioning of the Supervisory Board. Every member of the Supervisory Board must be expected to be committed to the company in one way or another or, in the case of new appointments to the Supervisory Board, be willing to pledge to such commitment. Clearly, every Supervisory Board member must in principle be able to attend all Supervisory Board meetings.

All the above considerations apply equally to both appointments and reappointments to the Supervisory Board.

The aim should be that the Supervisory Board includes both members who hold one or more active positions in industry or elsewhere and members who are no longer actively working. The former will contribute to the work of the Supervisory Board based on their involvement in current issues, while the other, probably older members will draw on their experience and interest in current events. The latter will generally be able to perform their duties with a high degree of objectivity and will have more time available than members who are still actively employed.

The membership profile is available at the company's office for inspection by shareholders.

Curriculum vitae for Mrs T.A. Maas-de Brouwer *(standing for reappointment)*

Education

Masters in General Linguistics, Utrecht University
Information Management

Employment

1971 – 1996
Deputy director of CITO (the Institute for Educational Measurement)
1988 – 1996
Manager at BSO and BSO/Origin Netherlands
1996 – 1998
Member of the Managing Board of Origin Netherlands
1998 – 2001
Business Developer, Hay Management Consultants B.V.
2000 –
Member of the Supervisory Board of ABN AMRO
2001 –
President of the Hay Vision Society, Hay Group

Other

- Chairman of the Opportunity in Bedrijf Foundation
- Member of the Governing Council of the Van Leer Group Foundation
- Member of the First Chamber of the Dutch Parliament, PvdA
- Member of the Supervisory Board of Schiphol Group
- Member of the Programme Advisory Council, TNO Human Factors
- Member of the Supervisory Board of Philips Electronics Netherlands
- Member of the Supervisory Board of Twijnstra Gudde Management Consultants B.V.
- Member of the Supervisory Board of Nuffic
- Member of the International Information Center and Archive for the Women's Movement, Amsterdam
- Member of the Supervisory Board of ArboUnie.

Curriculum vitae of Mr Andries Olijslager

Education

1966

NOIB, Nijenrode

Employment

1980-1990

Management, Van Gelder Papier

1990-1991

Director, Maatschappij voor Industriële Projecten N.V. (later Alpinvest N.V.)

1991-1997

Chairman of the Board of Management Friesland Dairy Foods Holding N.V.

1997-

Chairman of the Board of Management Friesland Coberco Dairy Foods B.V.

Other

- Chairman of the Supervisory Board of Heiploeg Shellfish int.
- Member of the Supervisory Board of Center Parcs N.V.
- Member of the Supervisory Board of NPM Capital N.V.
- Chairman of the Advisory Board of Nederland Distributieland (NLD)
- Member of the Advisory Council of ABN AMRO Holding N.V.*
- Member of the Board of Nederlandse Zuivel Organisatie (NZO)
- Vice Chairman of Productshap Zuivel
- Member of the Board of Fries Museum
- Member of the Board of VNO-NCW
- Member of the Board of the Stichting Universiteitsfonds Twente
- Member of the Government Commission for Import-Export and Investment Guarantees

* *To be relinquished if appointed to the Supervisory Board.*

Glossary

Italicised terms in definitions are listed in the Glossary

ADR
American Depositary Receipt: depositary receipts for shares of non-US-based companies that are traded in the US.

Advanced Internal Ratings Based (AIRB)
The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II (New Capital Accord), based on a financial institution's own assessements of its risks.

Advanced Management Approaches (AMA)
The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II (New Capital Accord), based on a financial institution's own assessements of its risks.

Allowance for loan losses
Balance sheet provision held against the total of non-performing loans. The allowance is increased by the annual provisions and decreased by write-downs (net of recoveries) on non-performing loans.

Assets under Administration (AUA)
All client assets managed by or deposited with a financial services firm for investment purposes, including wholesale client assets derived from custody, correspondent banking and/or working capital.

Assets under Management (AUM)
Assets, including investment funds and assets of private individuals and institutions, being professionally managed with the aim of realising an optimal investment result.

Basis point
One hundreth of 1 percentage point.

BIS
Bank for International Settlements set up in 1930 with its head office in Basel. Its principal tasks are to promote cooperation between central banks and to assist in international payments. The BIS also issues recommendations to banks and regulatory authorities in the fields of risk management, capital adequacy and the provision of information on financial derivatives. The minimum standard set for the total ratio of capital to risk-weighted assets is 8%.

Bookrunner
Head of a securities syndicate responsible for arranging the subscription, allotment and after-market for all syndicate members.

Capital adequacy
Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.

Commercial paper
Debt instrument issued by large companies with a term of 1 to 12 months.

Corporate finance
Activities in the fields of mergers, acquisitions, privatisations, advisory services and origination.

Credit equivalent
Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, being reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.

Credit rating
Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.

Currency risk
Price risk relating to exchange rate fluctuations.

Derivatives
Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indexes, etc).

Economic capital (EC)
Proxy for the capital which is required to run the business, given the market, credit and operational risks.

Economic profit (EP)
Net profit after tax less risk-adjusted cost of capital.

Economic value (EV)
The value of future *economic profits* discounted to the present.

Financial sponsor
Private person or entity that participates in (equity) investments or other financial products.

Forward exchange contract
Contract where the buyer purchases currency at a predetermined exchange rate on a fixed date.

GAAP
Generally accepted accounting principles.

Goodwill
Power of an established business to earn extra profits; it is an intangible asset the value of which is related to the advantage of an established business with respect to market position and/or know-how and organisation.

Greenshoe option
A provision in an underwriting agreement which allows members of the underwriting syndicate to purchase additional shares if demand is high. See *Redshoe option.*

Hedge
Protecting a financial position, by going either long or short, often using derivatives.

International Financial Reporting Standards (IFRS)
Formerly known as International Accounting Standards, IFRS are drawn up and recommended by the International Accounting Standards Board. The European Union requires that IFRS be used by all public companies in the EU starting with the financial year 2005.

Interest rate risk
Degree to which fluctuations in long and short-term interest rates have a negative influence on the bank's result.

Joint lead manager
A senior syndicate position in a capital markets transaction.

Joint venture
Cooperative venture between two or more separate legal entities.

Managing for Value (MfV)
Instrument ABN AMRO uses for maximising value. It allocates resources to where they earn the best long-term returns as measured by economic profit. Two relevant connected terms are *economic profit* and *economic value.*

Market risk
Risk relating to fluctuations in stock exchange prices and/or interest rates.

Net asset value per share
Value of all the assets of a company less loan capital and divided by the number of shares outstanding.

Non-performing loans
Loans classified as doubtful or a loss.

Notional amounts
The value of the principal of the underlying financial derivatives contracts.

Options (shares and currencies)
Contractual right to buy (call option) or sell (put option) a specified amount of underlying shares or currency at a fixed price during a specified period or on a specified date.

Preference share
Share that receives a fixed rate of dividend prior to ordinary shares.

Private banking
Dedicated to the development and execution of the policy in relation to high net worth clients and small and medium-sized institutional investors.

Provision
Charge to income to cover possible losses on non-performing loans.

Redshoe option
A flexible tranche of stock in an initial public offering used to meet variable retail demand. See *Greenshoe option.*

Risk-weighted assets
Total assets calculated on the basis of the risks relating to the various balance sheet items.

RAROC
Risk adjusted return on capital.

Scenario analysis
Method used to measure and manage the interest rate risk, for instance. Using various assumptions about future interest rate movements, net interest revenue is estimated.

Securitisation
Restructuring credits in the form of marketable securities.

Structured finance
Global activity aimed at the extension of credits in specialised product/market combinations, development and marketing of complex financial solutions, export financing of capital goods and large-scale project finance.

Tier 1 ratio
Core capital of the bank expressed as a percentage of total risk-weighted assets. The minimum standard set by the BIS and required by the Dutch central bank is 4%.

Total return to shareholders
Share price appreciation plus dividend yield.

Treasury
Department responsible for all money market and currency operations.

Trust business
Assets are entrusted to a trustee who is responsible for the management of these assets.

Value at Risk (VaR)
The statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Venture capital
Investment in the risk capital of businesses for the account and at the risk of the bank.

Volatility
Statistical measure for the degree to which market rates fluctuate over time.

Safe Harbour Statement under the US Private Securities Litigation Reform Act of 1995
Certain of the statements contained herein that are not historical facts, including, without limitation, statements as to future net profit and operating expenses, are statements of future expectations and other forward-looking statements (as such term is defined in Section 21E of the US Securities Exchange Act of 1934, as amended) that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, (ii) performance of financial markets, (iii) interest rate levels, (iv) currency exchange rates, including the EUR-USD exchange rate, (v) changes in laws and regulations, including monetary convergence and the European Monetary Union, (vi) changes in the policies of central banks and/or foreign governments, (vii) cost overruns and (viii) competitive factors, in each case on a global, regional and/or national basis. ABN AMRO does not undertake to update any statements of future expectations or other forward-looking statements contained herein.

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ABN AMRO Holding N.V., having its registered office in Amsterdam, the Netherlands, and entered in the Trade Register of the Amsterdam Chamber of Commerce under no. 33220369.

The bank consists of the listed company ABN AMRO Holding N.V., which conducts its business almost entirely through its wholly-owned subsidiary ABN AMRO Bank N.V. or this company's many subsidiaries.

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About Circus Elleboog

Circus Elleboog (literaly 'Elbow circus' in Dutch) is a children's circus based in Amsterdam, the Netherlands. It was established in 1949, and allows children (aged four and upwards) and youngsters (up to the age of 22) to practise and play with a wide variety of circus props. This unique approach teaches children relevant circus techniques and helps them to place greater trust in themselves and others. Future talents are Circus Elleboog's stars. The circus also organises circus projects for socially-disadvantaged groups and youngsters who live in underprivileged districts of Amsterdam.

About Sarah Wong

Sarah Wong studied at the Gerrit Rietveld Academy for visual arts and design. Sarah's photographs express her search for soul, and she is drawn to idealistic and fragile subjects that warrant a positive attention. The CD covers she created for singer Andrea Bocelli received international acclaim. Her first book, entitled 'Sophia's Children', was published in early 2003 – it depicts the lives of young patients in the Sophia children's hospital.

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