annual report 2005

ABN AMRO Holding N.V.

ABN·AMRO


statements 2005

Profile

ABN AMRO

- is a prominent international bank with European roots dating back to 1824
- has over 3,500 branches in almost 60 countries and territories, a staff of about 97,000 full-time equivalents worldwide and total assets of EUR 881 billion as of year-end 2005
- is listed on Euronext (Amsterdam, Brussels and Paris) and the New York Stock Exchange.

Our business strategy is built on five elements:

1 Creating value for our clients by offering high-quality financial solutions that best meet their current needs and long-term goals

2 Focusing on:

- consumer and commercial clients in our local markets in Europe, North America, Latin America and Asia

and globally on:

- selected multinational corporations 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.

We aim for sustainable growth to benefit all our stakeholders: our clients, our shareholders, our employees, and society at large. In pursuing this goal we are guided by our Corporate Values (integrity, teamwork, respect and professionalism) and Business Principles. Acting with integrity is at the heart of our organisation: by complying in each of the markets in which we operate with the relevant laws and regulations, the bank safeguards its reputation and its licence to operate. Meeting the highest compliance standards is seen as the basis for true competitive advantage. Therefore ABN AMRO strives to serve as the benchmark for the financial industry.

We implement our strategy through a number of Business Units (BUs). Each of these units is responsible for managing a specific region, a distinct client segment or a product segment. Our BUs also share expertise and operational excellence, seek opportunities for standardisation, and exploit new market solutions to provide clients with even better products and services.

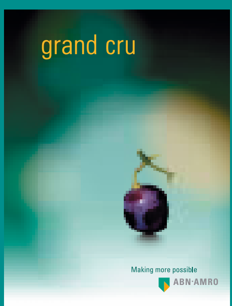
These BUs are (as of 1 January 2006):

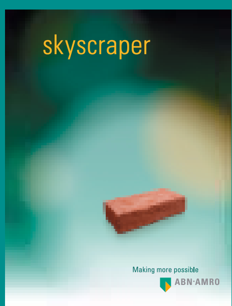
- Five regional Client BUs: the Netherlands, Europe, North America, Latin America and Asia. These BUs serve almost 20 million consumer and commercial clients worldwide. ABN AMRO is one of the world's leading players in these segments
- Two global Client BUs: The BU Private Clients provides private banking services to wealthy individuals and families and has EUR 131 billion assets under administration as of year-end 2005. The BU Global Clients serves a select group of multinational clients

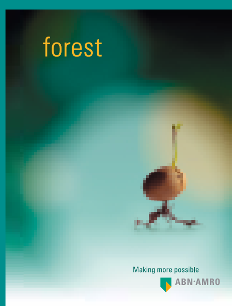
- Three global Product BUs: Global Markets, Transaction Banking and Asset Management
- Global Markets transacts and develops products for all our client segments
- Transaction Banking is our product organisation covering all payments and trade in the bank for our consumer and commercial clients
- Asset Management, which is one of the world's leading asset managers, operates from over 20 locations worldwide and, as of year-end 2005, manages EUR 176 billion worth of assets for private investors and institutional clients.

To provide all our clients with even better products and services, we have created a cross-BU Consumer Client Segment and a cross-BU Commercial Client Segment. These segments focus on aligning the Client BUs with the Product BUs, sharing best practices and exchanging winning formulas across the Group in order to deliver high-quality solutions to our client bases across the world.

Our relationship-based approach and our unique combination of clients, products and geographical markets have enabled us to build a strong competitive advantage in the mid-market segments, which represent our 'sweet spot'. We aim to increase this advantage on a continuing basis, both by growing our mid-market client base and improving our product capabilities.







Potential

In November 2005 ABN AMRO presented a new global brand campaign, aiming to bring the bank's tag line 'Making more possible' to life.
The campaign shows the potential of what everyday objects can become (see inside cover).

For this Annual Report we created a spin-off of this campaign, showing the potential of our long term views and the things that we believe in.

Contents

Dear Shareholder,

On behalf of the Managing Board, I am writing you about our performance in 2005.

We achieved strong results during the year, driven by strong organic growth in all our consumer and commercial client businesses. This organic growth reflects the benefits of our continuing focus on the strong local relationships we have with our mid-market clients, supported by our high-quality global product capabilities. These factors, in combination with stable provisions and a lower effective tax rate, enabled us to report a highly satisfactory increase of 13.4% in net profit attributable to our shareholders. In addition, we will propose to the General Meeting of Shareholders a full year dividend of EUR 1.10 per ordinary share for 2005, which is an increase of 10 euro cents compared with 2004.

The improvement in our performance is all the more satisfying as it means we more than made up for the loss of income from LeasePlan, a non-core but very profitable asset that we sold in 2004. It is also a good indication that our mid-market strategy is now firmly established and delivering results. In terms of the goals we announced for the period from 1 January 2005 to 31 December 2008, we are making progress towards reaching our objectives of an average return on equity (ROE) of 20% and a top five total return to shareholders (TRS) position in our peer group of 20 banks by the end of 2008. We reported an average ROE for 2005 of 23.5%. While we finished in seventh place in the 2002-2005 cycle, for the TRS cycle 2005-2008 we were in 12th place at the end of 2005. Nevertheless, we know there is much more untapped potential across the bank. The realignment of our organisational structure with our mid-market strategy, as announced on 14 October 2005, was really the next logical step. We have created the Group Business Committee (GBC) in order to drive coordination across the Client and Product Business Units (BUs) as well as the segments and Services, and to realise the available synergies. The GBC coordinates on an operational level while the Managing Board retains full responsibility for setting the Group's strategy and for managing its performance.

This realignment created five regional Client BUs, three Product BUs, two global Client BUs and a Services organisation. It also led to the unbundling of Wholesale Clients (WCS). By opening up our WCS organisation, we are able to make our high quality WCS products available to all our mid-market customers in every region, which should lead to strong organic revenue growth in the coming years. To support this ambition, the Managing Board is very happy that it has been joined from 1 January 2006 by three new colleagues: Huibert Boumeester, Piero Overmars and Ron Teerlink. Their presence on the Managing Board will help us to optimise the execution of our mid-market strategy in the coming years and to capitalise on the capabilities available across the bank to better serve all our clients.

We will do everything within our control to reach our ambitious goals in the coming years, but not at the expense of integrity. The Managing Board is fully committed to the bank's Corporate Values and preserving the bank's integrity and reputation. By complying with the relevant laws and regulations in each of the markets in which we operate, the bank safeguards its reputation, its licence to operate, and its ability to create sustainable value for all stakeholders. We believe that meeting the highest compliance standards is the basis for true competitive advantage. We therefore strive to serve as the benchmark for the financial industry. The process of the acquisition of Banca Antonveneta clearly demonstrated our commitment to this high standard.

Unfortunately we faced some difficult compliance issues during the year and learned the hard way that being fully committed to compliance, in combination with our Values and Business Principles, is in itself not enough. Since ABN AMRO signed a Written Agreement with the US bank regulators in 2004, it has been working actively with external experts to fully review the compliance area and to start implementing best-in-class compliance standards in all jurisdictions in which it operates. Bank regulators in the US and the Netherlands were continuously informed about these actions. A complete review of the causes of the shortcomings in the internal supervision of the activities of the US dollar clearing centre in New York was undertaken, as well as disciplinary actions against employees involved. We have also introduced a comprehensive training programme across the bank, based on the Basel principles (these principles describe the compliance activities that Boards and compliance functions of banks must safeguard and implement), including various training programmes for all staff to instil a compliance mindset even more deeply and ensure the required compliance skills.

In December 2005, ABN AMRO agreed to a Cease and Desist Order with the Nederlandsche Bank and US regulators. This involved an agreement to pay an aggregate penalty of USD 75 million and a voluntary endowment of USD 5 million in connection with deficiencies in the US dollar clearing centre of our New York branch and the Office of Foreign Assets Control (OFAC) compliance procedures, specifically in relation to certain US dollar payments originated by our branch in Dubai. Based on these Orders, ABN AMRO will have to further improve its oversight and compliance programmes. The right way forward is to accept full responsibility, take corrective action, and embed a pro-active culture of compliance and full reporting to the regulators. This is what we have done and will continue to do. For ABN AMRO, nothing short of the highest standards of compliance is acceptable.

The year 2006 will be another important one for ABN AMRO, with the integration of Banca Antonveneta and the realisation of the planned cost synergies. We will work hard, in close collaboration with our new Italian

From left to right:
Tom de Swaan, Huibert Boumeester, Dolf Collee, Joost Kuiper, Rijkman Groenink, Piero Overmars, Wilco Jiskoot, Hugh Scott-Barrett, Ron Teerlink.

colleagues, to realise the great opportunity to bring innovation and improved service to our new clients in Italy. We have a history of managing businesses across cultures and regions and we have proven many times that we can add new businesses without losing the strong ties they have with their local communities and while continuing to keep their strong heritage. This is of particular importance to our mid-market customers. At the same time, we firmly believe that we will deliver on our commitment to create value for our shareholders. Banca Antonveneta is a very good example of the execution of our mid-market strategy, as it means we can enlarge our presence in the mid-market of both the consumer and commercial segments.

With the new structure in place since 1 January, the focus in 2006 will be on organic growth and disciplined cost and capital management, as well as on implementing improvements in our oversight and compliance programmes based on the Cease and Desist Order from the Nederlandsche Bank and the US regulators. The Managing Board has therefore defined its priorities as organic revenue growth and the realisation of the synergies from the integration of Banca Antonveneta once the acquisition is completed, as well as a continued focus on realising cost synergies through the execution of the Group Shared Services programme, further improving the returns from our former wholesale banking activities, strict capital discipline across the Group and implementing best-in-class compliance standards in all jurisdictions in which we operate.

The year 2005 has been a period of investment, which resulted in significant cost growth. We expect the underlying rate of growth in expenses to be much lower in 2006, which will lead to a further improvement in the efficiency ratio. In line with our strict capital discipline, we will buy back EUR 600 million in shares during the first half of 2006, as previously announced, and we remain committed to starting the neutralisation of the stock dividend with effect from the 2006 interim dividend. We will also continue to review our activities with a view to more disposals of non-core assets, such as Kereskedelmi és Hitelbank and the property finance and development activities of Bouwfonds. Successful execution of these management priorities will create room for additional share buy-backs in the second half of 2006.

The realisation of these priorities will be facilitated by reaping the benefits of our new organisational structure and governance, which are now aligned with our mid-market strategy, and by working as one team across the bank – in short: One Bank. No Boundaries.

Yours faithfully,

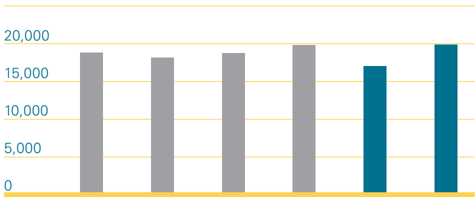
Rijkman Groenink
Chairman of the Managing Board

Amsterdam, 23 March 2006

Figures at a glance

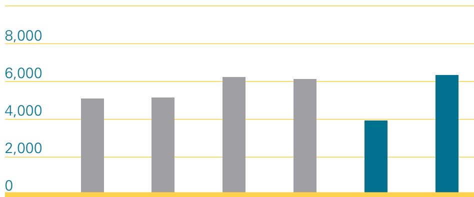
These figures have been prepared in conformity with general accepted accounting principles in the Netherlands.

Operating income *(in millions of euros)*



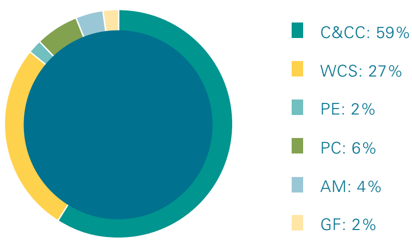
2001	2002	2003	2004	2004	2005
18,834	18,280	18,793	19,793	17,130	**19,827**

Operating result *(in millions of euros)*

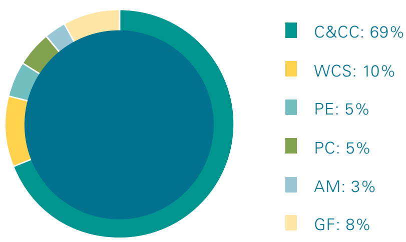


2001	2002	2003	2004	2004	2005
5,063	5,132	6,208	6,106	3,873	**6,310**

Operating income 2005 per BU *(in %)*

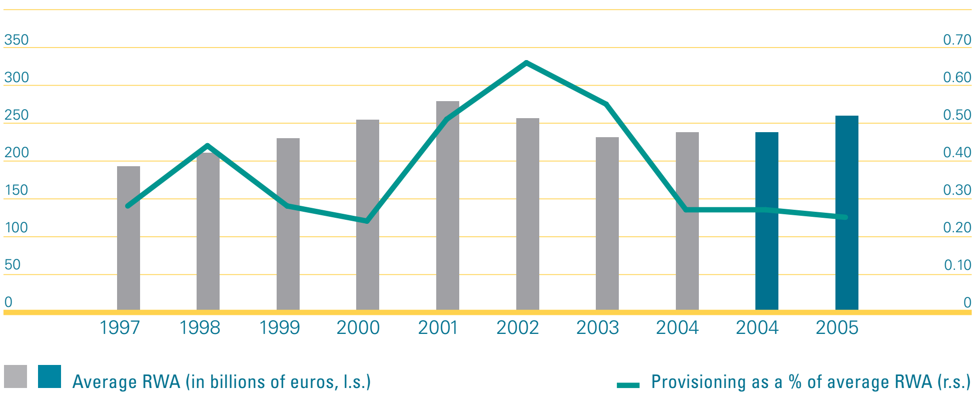


Operating result 2005 per BU *(in %)*

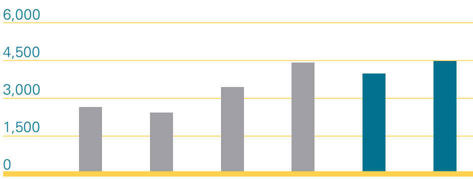


Provisioning as a % of average risk-weighted assets (RWA)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004	**2005**
Average RWA *(in billions of euros)*	163	193	212	231	255	279	257	232	239	239	**260**
Provisioning *(in millions of euros)*	569	547	941	653	617	1,426	1,695	1,274	653	616	**648**
Provisioning as a % of average RWA	0.35	0.28	0.44	0.28	0.24	0.51	0.66	0.55	0.27	0.26	**0.25**

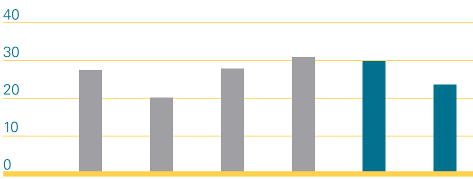


Profit for the year *(in millions of euros)*



2001	2002	2003	2004	2004	2005
2,615	2,415	3,415	4,380	3,940	**4,443**

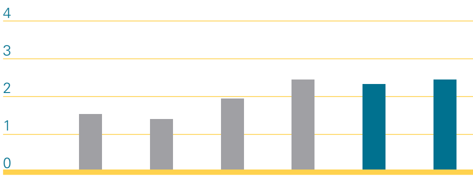
Return on equity *(in %)*



2001	2002	2003	2004	2004	2005
27.3	20.1	27.7	30.8	29.7	**23.5**

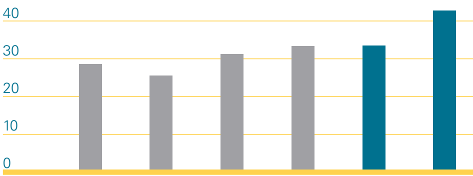
These figures have been prepared in conformity with general accepted accounting principles in the Netherlands.

Earnings per share *(in euros)*



2001	2002	2003	2004	2004	2005
1.53	1.39	1.94	2.45	2.33	**2.43**

Market capitalisation *(in billions of euros)*



2001	2002	2003	2004	2004	2005
28.6	25.5	31.2	33.3	33.3	**42.3**

Balance sheet

(in billion of euros)	2001	2002	2003	2004	2004	**2005**
Total assets	597.4	556.0	560.4	608.6	727.5	**881.0**
Shareholders' equity	12.1	11.1	13.0	15.0	14.8	**22.2**
Group capital	34.3	30.4	31.8	33.0	33.2	**43.2**
Average risk-weighted assets	279.0	257.0	232.0	239.0	239.0	**260.0**

Number of employees

	2004	**2005**
Number of employees (headcount)	99,414	**98,080**
Netherlands (%)	29%	**27%**
Other countries (%)	71%	**73%**
Full-time (%)	82%	**82%**
Part-time (%)	18%	**18%**

2005 Diary

January
- Offering of Pacific Life Funding Retail Notes through our European Direct Access Notes platform

February
- Introduction of first-ever global tag line: 'Making more possible'
- ABN AMRO welcomes its two millionth internet customer in the Netherlands
- Announcement that Standard Federal will be rebranded as LaSalle Bank

March
- Acquisition of Bank Corluy strengthens our position in private banking in Belgium
- Announcement that the Bouwfonds mortgage franchise will be merged with the mortgage activities in the Netherlands
- ABN AMRO announces plans to launch an offer for Banca Antonveneta

April
- Closing of successful share issue, generating EUR 2.52 billion for the acquisition of Banca Antonveneta
- Announcement of the sale of our exclusive Dutch private bank Nachenius, Tjeenk & Co. N.V. to BNP Paribas Private Bank
- General Meeting of Shareholders appoints Rob van den Bergh and Anthony Ruys as members of our Supervisory Board and discharges Maarten van Veen and Wim Dik, who retire

May
- Bank of Italy approves ABN AMRO's offer for Banca Antonveneta

June
- Sale of ABN AMRO Trust and Management Service Companies to Equity Trust
- Sale and leaseback of our London office, 250 Bishopsgate

July
- Inception of the Compliance Oversight Committee of the Supervisory Board

August
- Launch of the Netherlands' first-ever structured covered bond programme
- ABN AMRO in Brazil establishes a bancassurance partnership with Tokio Marine Nichido Fire Insurance Co., Ltd., and also sells Real Seguros to the same company

September
- Agreement signed to acquire a controlling stake in Banca Antonveneta
- ABN AMRO awarded sustainable market leader in European banking sector for third successive year in Dow Jones Sustainability Index

October
- ABN AMRO Asset Management introduces new concept for Socially Responsible Investment
- Group structure to be aligned more closely to realise potential for profitable growth

November
- We are awarded the Henri Sijthoff prize for best Dutch Annual Report 2004
- Transparency Benchmark 2005 award for most transparent organisation in the Netherlands in terms of Corporate Social Responsibility reporting
- Lead management of Europe's largest-ever securitisation of EUR 22 billion with Shield 1
- Extraordinary General Meeting of Shareholders appoints three new members to the Managing Board: Huibert Boumeester, Piero Overmars and Ron Teerlink

December
- ABN AMRO agrees to a civil penalty of USD 75 million and a voluntary endowment of USD 5 million in connection with deficiencies in the USD Clearing Center at its New York branch and compliance procedures of the Office of Foreign Assets Control
- Announcement of the intended sale of our 40% stake in Kereskedelmi és Hitelbank (Hungary) to KBC Bank (Belgium)
- Announcement that the process of divesting Bouwfonds will start in first quarter 2006
- ABN AMRO sets up Foundation investing EUR 5 million per year in poverty alleviation

Group strategy

As an international bank with European roots, ABN AMRO focuses on local consumer and commercial banking relationships, supported by a global network and extensive product suite. Our strategy is designed to achieve sustainable profitable growth which will benefit all our stakeholders – including clients, shareholders, employees, and society at large. The strategic advantage brought by our particular combination of clients, products and geographical markets is at its greatest in the mid-market client segment, our so-called 'sweet spot'. We restructured our organisation from 1 January 2006 to further align it with our mid-market strategy, and to leverage the benefits of being 'one bank' more effectively across the Group.

ABN AMRO is an international bank with European roots. We focus on local consumer and commercial banking relationships, strongly supported by a global network and an extensive product suite. 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, our success.

Our strategy for growing and strengthening the business is built on five 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 local markets in Europe, North America, Latin America and Asia,

   and globally on:
   - selected multinational corporations and financial institutions
   - private clients
3. Leveraging our advantages in products and people to the benefit of 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.

We aim to achieve sustainable growth which will benefit all our stakeholders – including our clients, our shareholders, our employees, and society at large. We discuss our approach to sustainability in the section on sustainable development, starting on page 39, as well as in our Sustainability Report, which is published alongside this Annual Report. Our ability to build sustainable relationships, both internally and externally, is crucial to our ability to achieve sustainable profitable growth.

The Managing Board is fully committed to the bank's Corporate Values and to preserving the bank's integrity and reputation. By complying with the relevant laws and regulations in each of the markets in which it operates, the bank safeguards its reputation, its licence to operate, and its ability to create sustainable value for all stakeholders. Meeting the highest compliance standards is seen as the basis for true competitive advantage. It is ABN AMRO's ambition to be the benchmark for compliance for the financial industry.

Client focus

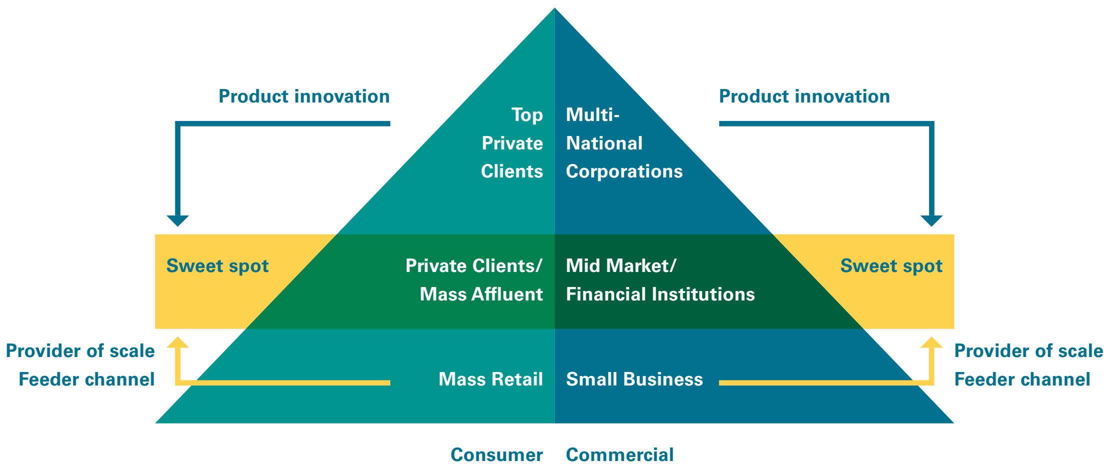
Our clients are the prime beneficiaries of our relationship-based approach carried out through our various Business Units (BUs). This Group-wide, client-led strategy enables us to create value for a comprehensive spectrum of clients. In terms of consumer clients, these range from the mass retail consumer segment to the very high net-worth private clients segment, while our commercial clients range from a large number of small businesses to a small number of large multinationals.

All these client groups are core to our strategy. However, the strategic advantage brought by our particular combination of clients, products and geographical markets is at its greatest in the mid-market segments which we serve mainly through our five regional Client BUs – Netherlands, Europe, North America, Latin America and Asia. In terms of consumer clients the mid-market segment includes the mass affluent segment in our regional Client BUs as well as most clients within our BU Private Clients. In terms of commercial clients the mid-market segment includes a significant number of medium-to-large companies and financial institutions served through our regional Client BUs. These clients typically require a local banking relationship, an extensive and competitive product suite, an international network, efficient delivery, and, for corporates, sector knowledge. With our range of businesses and capabilities, we are one of the few banks in the world that can deliver on all of these requirements, in many cases uniquely so.

Our range of activities sustains our competitive edge with these clients. For example, we choose to offer all our banking products and services to our selected multinational clients and top-end private clients, because in order to remain successful with these client groups, we need to invest continuously in product quality and innovation. By using the resulting product enhancement and innovation to benefit our mid-market clients, we sustain our often unique market position in being able to meet the requirements of these mid-market clients. At the same time, our participation in the mass market consumer segment helps to cover the costs of investing in the required infrastructure, such as office branches and IT, while also serving as a feeder pipeline of future mid-market clients.

Our growth strategy is to build on ABN AMRO's strong position with mid-market clients, and to exploit opportunities to provide clients in this segment with high-quality and innovative products and services from across the Group. We constantly strive to capitalise on our international product range and network to the benefit of all our mid-market clients, often using local brands and local client intimacy. This approach is underpinned by our global branding concept, under which we display the green and yellow ABN AMRO shield next to strong local brand names in combination with the 'Making more possible' tag line we introduced in February 2005. Examples of this include LaSalle Bank in the US Midwest and Banco Real in Brazil.

We aim to build further on our already strong strategic positioning by winning more clients in our chosen markets and client segments, and by making carefully targeted investments to improve our product capabilities. In terms of new markets, our BU Europe and BU Asia are successfully exploiting the attractive opportunities that are opening up in several emerging markets, with a strong focus for BU Asia on Greater China (the People's Republic of China, Hong Kong and Taiwan) and on India.



New group organisation structure

Capitalising on our 'one bank' advantage

As an additional step to reinforce our commitment to the consumer and commercial mid-market clients, and to leverage the benefits of being 'one bank' more effectively by sharing expertise and operational excellence across the Group, we replaced our previous Strategic Business Unit-based structure with a new structure from 1 January 2006. This new structure is comprised of:

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

The seven Client BUs consist of five regional BUs (Netherlands, Europe, North America, Latin America and Asia) and two global BUs, Private Clients and Global Clients, the latter serving a select group of multinational corporations.

The three Product BUs (Global Markets, Transaction Banking and Asset Management) support the Client BUs by developing and delivering products for all our clients globally with a primary focus on the mid-market segment.

The BUs are bound together on a global basis through a cross-BU Consumer Client Segment and a cross-BU Commercial Client Segment. The role of these segments includes driving the application of winning formulas across our various geographies, and working with the BUs Asset Management, Transaction Banking and Global Markets to deliver high-quality solutions to our various client bases.

We will also continue to build on the initial success of Services. This organisation will maintain its existing focus on identifying and exploiting potential for higher operational efficiency through further consolidation and standardisation across all our operations. Services will also continue to investigate and implement new market solutions, with the aim of ensuring that all our BUs get the support services and flexibility they need in order to provide clients with even better products and services delivered in the most efficient way, at an optimal level of operational risk.

Group Functions is comprised of centres of expertise delivering value-added support and services across the Group in areas including, among others, Risk, Finance, Audit, Legal, Compliance, Human Resources, Communications, Investor Relations and Corporate Development.

The new structure will create new demands on the governance of the Group, so we have adapted the Group's governance model accordingly. As well as increasing the size of the Managing Board to eight members and reallocating some of their responsibilities, we created a Group Business Committee (GBC) to drive coordination across the Group. The GBC will be made up of the five Managing Board members with line-of-business responsibility and the Senior Executive Vice Presidents (SEVPs) managing the various BUs.

Focusing on our core activities

In order to focus our Group more effectively on our core strengths, we continued our disposal programme in 2005 by selling off a number of non-core activities. In the Netherlands we completed the disposal of private bank Nachenius, Tjeenk & Co. In Brazil we effected the sale of 100% of property and casualty insurer Real Seguros and 50% of life insurance and pension company Real Vida e Previdência, in both cases to Tokio Marine & Nichido Fire Insurance Co, with which we entered into an exclusive bancassurance partnership in Brazil. During the year we also completed the sale of ABN AMRO Trust and Management Service Companies. In line with this continuing focus on our core strengths, we have gone on to announce our intention to sell our international banking activities in Curacao to FirstCaribbean Bank and our 40% stake in Kereskedelmi és Hitelbank (Hungary) to KBC Bank (Belgium), and to start the process of selling Bouwfonds in the first quarter of 2006.

As part of Services' drive to create value across the Group, ABN AMRO initiated a major IT programme in 2005. This includes a five-year outsourcing contract under which IBM will oversee IT infrastructure services for the bank worldwide, contracts with Infosys and Tata Consulting Services (TCS) to provide application support and enhancements to the bank, and preferred vendor agreements with Accenture, IBM, Infosys, Patni and TCS for application development.

At the same time we continued to make targeted investments aimed at strengthening our core business and our positioning in the markets in which we operate. In 2005, ABN AMRO laid the foundations for the acquisition of Banca Antonveneta, before taking a majority stake in January 2006. Banca Antonveneta is a banking group with a strong presence in Italy's wealthy north-eastern region, and represents an ideal platform on which to expand our presence in the mid-market segment. In Belgium we acquired Bank Corluy, thereby reinforcing the already strong position of our Private Clients business in Europe. In the Netherlands, ABN AMRO acquired the remaining shares in Bouwfonds, thereby gaining full legal control of Bouwfonds, in addition to the full economic ownership acquired in 2000. BU Netherlands subsequently announced the merger of its mortgage activities with the Bouwfonds mortgage company, thus creating the third-largest mortgage business in the Netherlands.

Capital adequacy

We strive continuously to optimise the ratio of our tier 1 capital and our risk-weighted assets (RWA) in order to ensure we maintain our AA– credit-rating. The minimum (regulatory) tier 1 ratio required is 4%, compared to our medium-term target tier 1 ratio of 8.5%. Our tier 1 ratio rose from 7.03% at the end of 2001 to 10.62% at the end of 2005. Over the same period we also increased our so-called 'core' tier 1 ratio, which excludes preference shares, from 4.47% to 8.47%. Our medium-term target for this ratio is 6.5%.

The consolidation of Banca Antonveneta into our Group figures will reduce our capital ratios, but we remain committed to restoring our tier 1 ratio and core tier 1 ratio, which excludes preference shares, to 8% and 6% respectively well before the end of 2006. This will be achieved through disciplined capital management, including a possible reduction in RWA, and potentially also via further disposals of non-core assets.

Looking ahead, ABN AMRO is strategically positioning itself to capitalise on the Capital Requirements Directive implementing the Basel II Accord in the European Union. We are doing this by using an Advanced Internal Ratings Based basis for credit risk, and an Advanced Measurement Approaches basis for operational risk. This approach is discussed further in the section 'Basel II'.

Targets for the next performance cycle 2005-2008

Our continuing commitment to disciplined capital management will be underpinned by our target of achieving an average return on equity of 20% per annum over the four-year performance cycle to the end of 2008, as well as our ambition to be in the top five of our self-selected peer group in terms of total return to shareholders at the end of 2008.

Managing for Value

We have implemented Managing for Value (MfV) throughout our organisation. MfV is our instrument for allocating resources to where they earn the best long-term economic profit and for 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 (both capital and talent) to those businesses which generate the highest economic value.

Managing Board priorities 2006

With the new structure in place since 1 January, the focus in 2006 will be on organic growth and disciplined cost and capital management, as well as on implementing improvements in our oversight and compliance programmes based on the Cease and Desist Order from the Nederlandsche Bank and the US regulators. The Managing Board has therefore defined its priorities as organic revenue growth and the realisation of the synergies from the integration of Banca Antonveneta once the acquisition is completed, as well as a continued focus on realising cost synergies through the execution of the Group Shared Services programme, further improving the returns from our former wholesale banking activities, strict capital discipline across the Group and implementing best-in-class compliance standards in all jurisdictions in which we operate.

core market

Business in brief

Key figures 2005

(in millions of euros)	Group results		Underlying results		
	2005	2004	**2005**	2004	%
Operating income	**19,827**	17,130	**19,603**	17,130	14.4
Operating expenses	**13,517**	13,257	**13,786**	12,290	12.2
Operating result	**6,310**	3,873	**5,817**	4,840	20.2
Loan impairment and other credit risk provisions	**648**	616	**648**	616	5.2
Operating profit before taxes	**5,662**	3,257	**5,169**	4,224	22.4
Income tax expenses	**1,219**	764	**1,200**	1,076	11.5
Net operating profit	**4,443**	2,493	**3,969**	3,148	26.1
Discontinued operations (net)	**0**	1,447			
Profit for the year	**4,443**	3,940			
Attributable to:					
Shareholders of the parent company	**4,382**	3,865			
Minority interest	**61**	75			
Netherlands			**509**	418	21.8
North America			**871**	712	22.3
Brazil			**448**	302	48.3
New Growth Markets			**213**	140	52.1
Bouwfonds			**315**	266	18.4
Consumer & Commercial Clients			**2,356**	1,838	28.2
Wholesale Clients			**666**	270	146.7
Private Equity			**331**	463	(28.5)
Private Clients			**217**	205	5.9
Asset Management			**171**	106	61.3
Group Functions			**228**	266	(14.3)
Net operating profit			**3,969**	3,148	26.1

Acquiring Banca Antonveneta will give ABN AMRO a national presence in Italy, an attractive market with strong growth opportunities. The purchase is very much in line with our strategy, as Banca Antonveneta's client base fits well with the segments the bank is focusing on: the mass-affluent and commercial mid-market segment.

Our financial results for 2005 were influenced by various incidental items, each with an individual impact of more than EUR 35 million on net operating profit. As a result, the published figure for our net operating profit in 2005 does not fully reflect the underlying trends in our business. These incidental items and their impact on the results are listed in the table on the next page.

Incidental items

(in millions of euros)	Impact on			
	Operating income	Operating expenses	Operating result	Profit for the year
Gain from sale Real Seguros	229		229	196
Gain from sale Nachenius, Tjeenk & Co	38		38	38
Gain from sale Bishopsgate office	43		43	39
Release healhtcare benefit provision		(392)	392	268
Holiday provision		56	(56)	(40)
US regulatory penalty		67	(67)	(67)
Provision for balance sheet adjustments	(86)		(86)	(60)
Release of tax provisions				100
Total	224	(269)	493	474

Furthermore, the comparison with the previous year is made more complicated by the fact that our operating expenses for 2004 were impacted to the tune of EUR 967 million by restructuring charges and the buying-off of the profit-sharing arrangements under the Dutch collective labour agreement. The resulting impact on net operating profit for 2004 was EUR 655 million.

These underlying results have therefore been reported in the table above, and the analysis which follows is adjusted for these items.

Operating income

ABN AMRO's total operating income in 2005 increased by 14.4% to EUR 19,603 million, driven by strong organic growth in all our consumer and commercial client businesses. The increase in operating income in the BUs was driven by the following factors:

- Nearly all BUs in Consumer & Commercial Clients recorded double-digit organic growth in operating income.
  - Brazil: strong growth in the retail loan portfolio
  - Netherlands: good growth in consumer loans and savings, together with a high level of mortgage prepayment penalties
  - North America: an increase in commercial banking revenue, and lower hedging costs related to the available-for-sale portfolio
  - Bouwfonds: further growth in residential mortgage and property finance revenues
  - New Growth Markets: continuing strong growth, particularly in Asia, driven by the success of the credit card business and the Van Gogh Preferred Banking activities.
- Wholesale Clients: strong performances from Fixed Income, Futures and FX, especially in structured derivatives.

Operating expenses

The 12.2% increase in operating expenses should be seen against the background of the 14.4% growth in operating income, and was partially due to foreign exchange fluctuations and incidental items (not adjusted). Expenses in all BUs increased due to higher expenditure on compliance, with total expenditure on compliance in 2005 rising to EUR 186 million. Other specific factors contributing to higher operating expenses included:

- Brazil: the strengthening of the Brazilian real and the new collective labour agreements in 2004 and 2005

- Netherlands: the new collective labour agreement, and especially the new flexible bonus scheme that replaced the profit-sharing arrangement bought off
- New Growth Markets: continuing investment in the Asian operations, including branch openings and marketing campaigns
- North America: increases in staff costs, higher bonus accruals, ongoing investment in business development, and higher IT expenses on the back of several large projects such as Basel II.

Operating result

The operating result rose by 20.2% to EUR 5,817 million, mainly driven by Consumer & Commercial Clients and Wholesale Clients. The biggest growth driver within Consumers & Commercial Clients was BU Brazil, thanks to strong growth in its loan portfolio. The Group's efficiency ratio improved from 71.7% to 70.3%; all BUs contributed to this improvement, with the exception of BU Private Equity and BU Bouwfonds.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 32 million to EUR 648 million. Wholesale Clients and BU North America benefited from an improvement in the quality of their credit portfolios as well as from releases and recoveries. However, these positive effects were more than offset by increases in the provisions made by BU Brazil, BU Netherlands and Group Functions. The rise in provisions at BU Netherlands is a reflection of the relatively slow pace of economic growth in the Netherlands and strong expansion in our consumer finance portfolio.

Effective tax rate

The effective tax rate for the Group declined from 25.5% in 2004 to 23.2% in 2005. This was mainly the result of lower effective tax rates at Group Functions and BU Private Equity.

Supervisory Board

The financial results for 2005 show that ABN AMRO continued to make significant progress during the year. The operating result increased strongly, driven by substantial organic revenue growth in the Business Units (BUs) Brazil, Netherlands, North America, New Growth Markets and Bouwfonds. Operating expenses also grew, but to a lesser extent. A much-improved performance from Wholesale Clients (WCS) contributed to the rise in performance as well. On the back of on average stable provisions and a lower effective tax rate, the net profit attributable to our shareholders increased by 13.4% to EUR 4,382 million or EUR 2.43 per share. We congratulate management and staff on this good performance.

Financial statements and proposed dividend

This Annual Report includes the financial statements, which were audited by Ernst & Young and subsequently signed by the Managing Board and the Supervisory Board. We propose to shareholders that they adopt the 2005 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 1.10 per ordinary share of EUR 0.56, each with a stock dividend option. An interim dividend of EUR 0.50 has already been declared, leaving a final dividend of EUR 0.60 per ordinary share.

Composition of the Supervisory Board

Mr van den Bergh and Mr Ruys were appointed to the Supervisory Board for a term of four years with effect from 28 April 2005, the date of our 2005 Annual General Meeting of Shareholders. Mr van Veen and Mr Dik stepped down as members of the Supervisory Board on that same date.

Mr Loudon and Mr Burgmans will retire from the Supervisory Board with effect from 27 April 2006. Mr Loudon will step down from the Supervisory Board, having reached the maximum total term of membership of 12 years. Since 1996 Mr Loudon has acted as Chairman of our Board. His enormous experience in corporate life, the wisdom he has shown in dealing with difficult situations and the pleasant and effective way he has chaired both our full Board and the Nomination & Compensation Committee will be greatly missed.

Mr Burgmans, who is to periodically resign in 2006, has not put himself up for re-election. Throughout his eight-year tenure Mr Burgmans has contributed greatly to the discussions in the Supervisory Board and his views and advice have been highly valued. He has also played an active role in both the Nomination & Compensation and Compliance Oversight Committees. We regret his decision not to stand for re-election.

Mr Martinez will periodically resign but is standing for re-election. If he is re-elected, the intention is that Mr Martinez will succeed Mr Loudon as chairman of the Supervisory Board.

The Supervisory Board has nominated Mr Kramer and Mr Randa for appointment by the shareholders as new members of the Board, also with effect from 27 April 2006. Both gentlemen have enjoyed distinguished business careers both internationally and in their native countries. Mr Kramer is a Dutch national and made his career as a Civil Engineer. Until the end of 2005 he was

President and Chief Executive Officer of Fugro N.V., Consulting Engineers. He holds various other directorships and is a former member of the Advisory Council of ABN AMRO Holding N.V. Mr Kramer is expected to bring his wide international business experience to our Board.
Mr Randa is of Austrian nationality and has been in banking for most of his successful career. Until last year he was a member of the Board of Managing Directors of Bayerische Hypo- und Vereinsbank AG, most recently as Chief Operating Officer. Currently he is an Executive Vice President of Magna International Inc, Toronto. Mr Randa brings with him broad expertise in commercial banking as well as specific experience in cost management and M&A. We are confident that Mr Kramer and Mr Randa will both be highly valuable additions to our Board. Curriculum vitae for both gentlemen can be found on page 226 of this Annual Report.
For a list of all names and key data of all Supervisory Board members, please refer to page 225 or to the website, www.abnamro.com.

The nominations and appointments were in accordance with the existing membership profile, which also can be found on the above website of ABN AMRO. 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 six are non-Dutch and of various nationalities spanning three continents.

Management changes at ABN AMRO

With a view towards the realisation of the bank's financial goals for the period 2005-2008 the Managing Board has, in consultation with the Supervisory Board, reviewed the organisation of the Group and decided to implement a number of further adjustments in order to align the organisation more fully with the strategy.

The new Group structure creates increased business accountabilities. In order to address these effectively and create a clear distinction between 'functional' and 'line of business' roles on the Managing Board, it was decided to increase the size of the Managing Board to eight.

At the Extraordinary General Meeting of Shareholders on 24 November 2005, three new members nominated by the Supervisory Board, Mr Boumeester, Mr Overmars and Mr Teerlink, were appointed. As a result of these appointments and organisational adjustments, the responsibilities of the members of the Managing Board are now as follows:

- Rijkman Groenink
  Chairman of the Managing Board,
  Group Audit, Group Compliance & Legal,
  Group Human Resources

- Wilco Jiskoot
  BU Netherlands, BU Global Clients,
  BU Asset Management

- Tom de Swaan (will retire on 1 May 2006)
  Chief Financial Officer (until 1 January 2006), reporting financial results 2005,
  Group Risk Management

- Joost Kuiper
  BU North America, Chairman Group Business Committee

- Dolf Collee
  BU Europe, BU Private Clients,
  Consumer Client Segment,
  Banca Antonveneta

- Hugh Scott-Barrett
  Chief Financial Officer (from 1 January 2006), Group Finance, Investor Relations,

Group Communications, Chairman Resource Allocation and Performance Management Committee (RAPMC)

- Huibert Boumeester
  Chief Risk Officer, Group Risk Management, Corporate Development

- Piero Overmars
  BU Asia, BU Global Markets, Commercial Client Segment

- Ron Teerlink
  BU Latin America, BU Transaction Banking, Services, European Union Affairs & Market Infrastructure.

At the Senior Executive Vice President (SEVP) level this organisational adjustment resulted in a number of changes in responsibilities. Page 227 of this report shows the main elements of the new structure and the positions of the respective SEVPs.

The Managing Board consulted the Supervisory Board on the SEVP appointment as from 1 January 2006 of Carin Gorter (Group Compliance & Legal), Sarah Russell (BU Asset Management), Jeroen Drost (BU Asia) and as from 1 April 2006 Gary Page (BU Global Markets). As a result of these appointments, organisational changes and retirements, the number of SEVPs decreased by 4 to 20.

Full Board activities

The Supervisory Board met on eight occasions during the period under review. All meetings were plenary sessions with the full Managing Board. Two of these plenary meetings were preceded by meetings of the Supervisory Board alone.

In accordance with best practice provision III.1.5 of the Dutch corporate governance code, we hereby report that both Mr Scaroni and Mr Burgmans have not been able to attend three of the eight meetings of the Supervisory Board. In all instances external circumstances made it impossible for both gentlemen to attend. It is common practice within the Supervisory Board to consider absence from three Supervisory Board meetings in a year as constituting ‘frequent’ absence.

During the meetings without the Managing Board, the Supervisory Board evaluated its own composition and performance, the functioning of its members and the functioning (including the remuneration) of the Managing Board and its members.

The Chairman prepared the agenda for meetings of the Supervisory Board with the assistance of the Chairman of the Managing Board. Regular agenda items included aspects of the corporate strategy including acquisitions and divestments, compliance and regulatory issues, financial performance, credit and other risks, performance contracts, corporate governance and the organisational structure, human resources policy, customer and services strategies.

The financial performance of the bank was extensively discussed at the Supervisory Board meetings preceding the publication of quarterly or (semi-) annual results. Relevant executives and internal and external auditors participated in these discussions. These meetings were preceded by meetings of the Audit Committee, which advised 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 gave 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.

The creation in 2005 of a Compliance Oversight Committee illustrates the increased importance of the Compliance function in the bank. This committee of the Supervisory Board is responsible for supervising the bank's compliance organisation, activities and risk profile, and advises the full Supervisory Board on its supervision activities. As previously, the three Supervisory Board committees reported their deliberations and findings to the full Board for further discussion.

During a special briefing session in January 2005, the Supervisory Board was extensively informed about the International Financial Reporting Standards and their impact on the financial reporting of ABN AMRO.
At its regular January meeting the Supervisory Board reviewed and approved the Group Performance Contract for 2005 as well as the Group Strategic Agenda.
At its February meeting, the Board received an overview of the Group's real estate lending and development activities from the head of Group Risk Management.
During an extraordinary meeting of the Board in March, the bid for Banca Antonveneta was extensively discussed and then approved.
At its May meeting the Supervisory Board reviewed in depth two reports, one commissioned by the Supervisory Board and one by the Managing Board, in connection with deficiencies found in the USD clearing centre at the New York branch in 2004 and the Office of Foreign Assets Control (OFAC) compliance procedures, specifically in relation to certain US dollar payments originated by our branch in Dubai in previous years. In connection with the deficiencies that had been found, an extensive remedial action plan was presented and approved by the Supervisory Board.
The Group strategy was reviewed in depth during a special session in July and the items submitted were approved.
At an extraordinary meeting of the Board, in early October, the proposed adjustments to the bank's organisational structure and the proposal to nominate three new Managing Board members were reviewed and approved.
In advance of its regular meeting later in October, the Supervisory Board met alone to discuss a letter received from the Nederlandsche Bank (DNB) reviewing the Managing Board actions in connection with the New York clearing operations and Dubai transactions issues. Considering the energetic approach taken by the Managing Board to remedying the deficiencies, the Supervisory Board concluded that no further actions or sanctions from the Supervisory Board were called for in addition to the repayment of parts of the bonuses received by the members of the Managing Board for 2004.
In December the Supervisory Board was informed and received copies of Orders from DNB, the US Federal Reserve Board and other US regulators in connection with the New York clearing operations' deficiencies and OFAC compliance procedures. The Order from the US Federal Reserve Board and other US regulators partly substitutes for the Written Agreement with US regulators which was signed in July 2004 and terminated on 19 December 2005. It further instructs the bank to continue to implement improvements in its oversight and compliance programmes, imposing at the same time a tight reporting schedule. The Orders included an aggregate civil money penalty charge of USD 75 million and a USD 5 million voluntary endowment to the Illinois Bank Examiners' Education Foundation.
The Compliance Oversight Committee will continue to supervise the execution of the Orders by the Managing Board and the implementation of all necessary steps in order for the bank to be compliant with these Orders. The Supervisory Board fully supports the bank's desire to implement best-in-class compliance standards.

In addition to its own yearly evaluation, the Supervisory Board commissioned in 2005 an external board review as to its own functioning, the findings and conclusions of which were presented at the January 2006 meeting of the Supervisory Board. Later that month the external board review was extensively discussed and follow-up measures were taken, which should improve the effectiveness of the Supervisory Board.

Audit Committee

The Audit Committee of the Supervisory Board is appointed by the Supervisory Board from among its members. The Audit Committee consists of at least four members. The Audit Committee is currently chaired by Lord Sharman of Redlynch, who assumed this position on 28 October 2005, taking over from Mr Martinez upon his appointment as Chairman of the Compliance Oversight Committee. Mr Martinez remains a member of the Audit Committee. The Chairman of the Compliance Oversight Committee for that matter has a standing invitation to attend the meeting of the Audit Committee. The other two members of the Audit Committee are Mr Pratini de Moraes and Mr Olijslager, who replaced Mr van Veen and Mr Dik upon their respective retirements from the Supervisory Board on 28 April 2005. The members collectively have adequate accounting and financial management expertise to understand the company's business, financial statements and risk profile. In addition, the Supervisory Board has determined that both Mr Martinez and Lord Sharman of Redlynch possess the relevant expertise in financial administration and accounting for listed companies or other large companies. The terms of reference of the Audit Committee are set out in the Rules Governing the Supervisory Board's Principles and Best Practices. These are available via our website at www.abnamro.com.

During 2005, the Audit Committee met with the Chairman of the Managing Board and the Chief Financial Officer (CFO) on five occasions. In addition, the Audit Committee met separately with the bank's internal and external auditors. The Audit Committee reviewed, discussed, and advised the Supervisory Board on, the annual and interim financial statements, the Annual Report, the long-form external auditors' report, the internal auditors' management letter – including the Managing Board's related comments – and the impact of the Sarbanes-Oxley Act. These topics were discussed in the presence of internal and external auditors and senior representatives from Group Finance.

Ernst & Young reported on its independence to the Audit Committee. Ernst & Young has reviewed its engagements with ABN AMRO and confirmed to the Audit Committee that these have not impaired Ernst & Young's ability to act as independent auditors of ABN AMRO.

In the presence of senior representatives from Group Risk Management, the Audit Committee also reviewed and discussed the overall risk profile (including credit risk, market risk, country risk and operational risk), the quality of the loan portfolio and the bank's large exposures and provisioning for loan losses. Litigation to which ABN AMRO is (potentially) a party was also covered during several meetings, in the presence of the Head of Group Legal.

In the beginning of 2005, the Audit Committee was also responsible for reviewing the bank's compliance organisation and activities. This responsibility ended in July 2005, when the Compliance Oversight Committee was created.

In 2005, Group Audit's reporting lines were changed. The Head of Group Audit now has dual reporting lines to the Chairman of the Managing Board and the Chairman of the Audit Committee. The Audit Committee reviewed, discussed and approved the Group Audit Charter which lays down these new reporting lines. The Audit Committee discussed the operational and internal control aspects covered by Group Audit in their audit. Furthermore, the Audit Committee reviewed and approved the audit plan prepared by Group Audit, as well as staff matters including training and recruitment. The Audit Committee met with the Head of Group Audit after each committee meeting in private sessions as well.

In 2005, the Audit Committee reviewed its pre-approval policy for audit services by the external auditor. Following this review, the Audit Committee pre-approved the nature and the budget for audit, audit-related and non-audit services, in line with this policy.

No reports were filed during 2005 under the company's Whistleblowing policy. The policy was reviewed in 2005, and responsibility for its monitoring and execution transferred to the Compliance Oversight Committee.

Nomination & Compensation Committee

The membership of the Nomination & Compensation (N&C) Committee changed in 2005. Mr Martinez joined the Committee in May 2005, replacing Mr van Veen who left the Supervisory Board and thus the N&C Committee as he had reached the age limit of 70.

The members of the Committee as of May 2005 are Mr Loudon (Chairman), Mr Burgmans, Mrs Maas-de Brouwer and Mr Martinez. The SEVP in charge of Group HR acts as secretary to the meetings. During 2005, the Committee prepared several proposals for consideration by the Supervisory Board, including the extension of the Managing Board as a consequence of the new structure. The Chairman of the Managing Board was invited to the Committee's meetings to discuss relevant issues, such as the Managing Board's composition and compensation.

The N&C Committee met four times in 2005. As in previous years it was 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 N&C Committee are provided under a separate arrangement from Towers Perrin's other consultancy services for ABN AMRO.

Basic reward philosophy

Two principles guide the compensation policy applied to Managing Board members. First, the package must be competitive so that the bank can recruit both internally and externally and retain expert and experienced Managing Board members. Secondly, there must be a strong emphasis on actual performance against demanding short and longer-term targets.

In 2004, the N&C Committee reviewed the Managing Board reward package using these principles, focusing particularly on the share-based arrangements and the balance between the various components of the package.

The Committee was concerned about two aspects of the remuneration arrangements. One of its concerns was the effectiveness of the option plan. Developments in the external market indicated that the use of stock options was decreasing very fast, reflecting the fact that stock options can produce unwarranted gains in rising markets but have no motivation or retention value in flat or falling markets. The second concern involved the balance of the package for the Managing Board and the issue of whether it puts too much emphasis on the longer-term elements of reward.

2005 reward package

It was decided that from 2005 onwards, stock options would no longer be included in the Managing Board package. For the 2005 reward package some re-balancing to the package was also proposed in order to give greater weight to those performance measures over which Managing Board members have more direct control. This resulted in a reward package for 2005 with an approximately equal weight on each of the three main direct elements of reward: salary, bonus and the expected value of long-term incentive awards. Base salary is compatible with the European peer group and also in line with the salary structure for the whole Top Executive Group. The cash bonus is expressed as a percentage of base salary and based on stretching performance criteria for the relevant year, set within the framework of the long-term financial targets of the Group. As from 2005 the long-term reward elements consist of the Performance Share Plan, with a direct link to the stretching long-term financial targets of the Group, and the Share Investment & Matching Plan.
The proposal to change the package was approved by the General Meeting of Shareholders in April 2005 and implemented with retrospective effect from 1 January 2005.

The review of performance delivery against the stated objectives for 2005 took place in the N&C Committee's meeting on 30 January 2006. The performance of the Managing Board members was measured against pre-set quantitative objectives for the 2005 performance year. Quantitative objectives set for the Group in 2005 are Economic Profit, Efficiency Ratio, Return on Equity and Tier 1 Capital. For the BUs, revenue growth is also taken into account. For the Chairman of the Managing Board, the CFO and the Chief Operating Officer this assessment was based 100% on Group quantitative results. For the three members with business unit responsibility the weighting was 75% for Group and 25% for BU performance.
The N&C Committee decided to set the bonuses on the basis of the achievement of the quantitative objectives for all Managing Board members, including the Chairman, at 115% of annual base salary, taking into account the substantial performance above target. The discussion with respect to the achievement of the individually-set qualitative objectives did not give the Committee a reason to adjust the bonus result on an individual basis since the qualitative targets were also amply met by all individual Managing Board members. The bonuses were approved by the Supervisory Board.
Details of the 2005 reward packages are included in the financial statements (note 42, starting on page 187).

Future reward package

In 2005 the N&C Committee reviewed the structure of the remuneration package in the light of the Managing Board compensation policy principles outlined above and the practices observed among our major competitors. These are defined as other major Dutch companies and other European-parented banks. As a result of this review, the N&C Committee believes that, going forward, and with effect from the 2006 year, it is necessary to increase the annual bonus opportunity to bring it more into line with our competitors aiming at mid-market level.

The N&C Committee therefore proposes to increase the bonus percentage for 'on target' performance on the basis of quantitative criteria from the current 100% of annual salary to 150%, and to increase the maximum bonus from 125% to 200%. The N&C Committee retains the option of adjusting the bonus outcome for an individual within a band of plus or minus 20% of base salary in the light of its assessment of the qualitative criteria that have been set. The proposal with regard to the reward package will be discussed in the General Meeting of Shareholders on 27 April 2006. Subject to approval from shareholders, the intention is that this proposed amendment will become effective in 2006.

Managing Board contracts

The Dutch corporate governance code (the Code) took effect on 1 January 2004. Among other governance issues, the Code affects the employment relationship and reward packages for Managing Board members.
The appointment of the three new members to the Managing Board as from 1 January 2006 is in line with the best practice provision II.1.1 of the corporate governance code, as the new members of the Managing Board have been appointed for a maximum period of four years and may be reappointed for a term of not more than four years at a time.
The new members' underlying employment contracts, which are SEVP employment contracts, continue. However, all entitlements under these contracts have been suspended during membership of the Managing Board, and replaced by another employment contract applicable to Managing Board members.

The decision to continue the underlying employment contracts has implications for the application of best practice provision II.2.7 of the Dutch corporate governance code. ABN AMRO departs from the earlier interpretation that for new members of the Managing Board a redundancy clause would be adopted reflecting provision II.2.7 in principle.

ABN AMRO will not include such a clause in the contracts of new Managing Board members who are already employed by ABN AMRO, and shall apply the best practice provision as follows: in the event of termination of the Managing Board membership, the suspended employment contract will be reinstated. If it is deemed necessary to terminate that contract in the future, this will happen in accordance with Dutch labour law.

Succession Planning

During the year, the N&C Committee and Supervisory Board discussed the subject of Managing Board succession planning. In October 2005 ABN AMRO's new structure was announced.

The governance model was adjusted to reflect the new structure, leading to an increase in the number of Managing Board members and changes in their areas of responsibility. The N&C Committee and subsequently the Supervisory Board discussed this issue and agreed to the new appointments. The appointments of the three new Managing Board members, Mr Boumeester, Mr Overmars and Mr Teerlink, were approved by DNB and by the Extraordinary General Meeting of Shareholders on 24 November 2005, and became effective from 1 January 2006. On 1 May 2006 one of the current members of the Managing Board, Mr de Swaan, CFO, will retire, taking the Managing Board down to eight members.

The N&C Committee will continue to examine the composition of the Managing Board, its future replacement needs and the development of the talent pipeline of potential new Managing Board members.

Compliance Oversight Committee

The Compliance Oversight Committee was established as a new Supervisory Board Committee in 2005 and held its inaugural meeting on 28 July of that year. The Compliance Oversight Committee consists of at least three members, each of whom is a member of the Supervisory Board.

The Compliance Oversight Committee currently has three members: Mr Martinez (Chairman), Mr Burgmans and Mrs Maas-de Brouwer. The Chairman of the Audit Committee has a standing invitation to attend the meetings of the Compliance Oversight Committee. The meetings of the committee are, upon invitation, attended by the Chairman of the Managing Board and the Heads of Group Audit and Group Compliance.

The Compliance Oversight Committee met twice in 2005 and had in both cases private sessions with the Head of Group Compliance. As from 2006, the Committee will meet at least five times a year. The Charter for the Compliance Oversight Committee is set out in the Rules Governing the Supervisory Board's Principles and Best Practices, which can be accessed via our website at www.abnamro.com. The members of the Compliance Oversight Committee bring together the necessary collective expertise in the relevant legislation and regulations as well as in the bank's internal risk management and control systems to enable them to oversee the bank's compliance obligations, compliance controls and compliance risk profile.

During its meetings in 2005, the Compliance Oversight Committee discussed its Charter and meetings schedule. It also discussed the organisational changes in Group Compliance, as well as its budget. Specific attention was paid to ABN AMRO's relationships with relevant supervisors and to the progress the bank has made in its remedial action plans following the Written Agreement with the US regulators. Furthermore, the Compliance Oversight Committee discussed the disciplinary review process against (former) ABN AMRO employees for breaches of compliance policies.

Contacts with Dutch Central Works Council

In accordance with the covenant concluded in 2003 with the Dutch Central Works Council (CWC), the Supervisory Board members responsible for Dutch affairs in relation to the CWC, Mr Dik, Mrs Groenman and Mr Olijslager, attended by rotation three meetings of the CWC.

The Chairman of the Supervisory Board also had a constructive meeting with representatives of the CWC on the composition of the Supervisory Board and on the nomination of two new members. The intention is to organise another joint meeting in 2006 attended by the Supervisory Board, the Managing Board and the CWC.

Amsterdam, 23 March 2006

Supervisory Board

Corporate governance

Effective corporate governance is critical to ABN AMRO's goal of achieving long-term value for all of our stakeholders. Our approach to corporate governance ensures that the bank operates with maximum transparency and integrity, and that the controls and oversight necessary for effective risk management and compliance are in place and functioning well. The bank applies the principles and best practice of the Dutch corporate governance code except in a small number of specific instances, where the bank believes that the interests of its stakeholders are best served by the application of other best practices.

Corporate governance at ABN AMRO is defined by the way the bank organises and conducts the relationship between the Managing Board, the Supervisory Board and its stakeholders. For ABN AMRO, good corporate governance is critical to our ability to realise our strategic goal of creating sustainable long-term value for all our stakeholders – including our clients, our shareholders, our employees and society at large. In order to achieve good corporate governance, we organise the company in a way that promotes entrepreneurship by the Managing Board under the supervision of the Supervisory Board. Integrity and transparency are key elements in ABN AMRO's system of corporate governance, as they are in our business as a whole.

The Dutch corporate governance code

The Dutch corporate governance code (the Code) took effect on 1 January 2004.

The Corporate Governance Supplement for 2005, in which we report on our compliance with the Code, will be published on our corporate website. We are pleased to confirm that ABN AMRO – and, where relevant, the Trust Office (as defined further) – applies or shall apply the principles and the 109 (applicable) best practice provisions of the Code, with the exception of the following best practice provisions: II.1.1, II.2.7, III.5.11 and IV.1.1. It remains our belief that it is in the best interest of ABN AMRO and its various stakeholders to apply different best practices in these specific areas. For the most part, our explanations for this have remained materially unchanged, but they are repeated below for the purpose of clarity. Furthermore as set out below ABN AMRO has applied best practice provision III.6.3.

Best practice provision II.1.1 states that a managing board member is appointed for a maximum period of four years and that a member may be reappointed for a term of not more than four years at a time.
The current members of ABN AMRO's Managing Board, with the exception of Mr Boumeester, Mr Overmars and Mr Teerlink, have been appointed for an indefinite period in accordance with the applicable statutory obligations at the time of their appointment. ABN AMRO applies the Code's best practice provision if and when new members of the Managing Board are appointed. The appointment of the three new members to the Managing Board as from 1 January 2006 is in line with the Code's best practice provision, as the proposed new members of the Managing Board have been appointed for a maximum period of four years and may be reappointed for a term of not more than four years at a time.

Best practice provision II.2.7 states that the maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a managing board member who is dismissed during his first term of office, this board member shall be eligible for a severance payment not exceeding twice the annual salary.
The employment contracts for the current members of the Managing Board (as employed on 1 January 2004) will remain unchanged. The Supervisory Board intends to interpret the redundancy scheme as stated in the employment contracts of the current members of the Managing Board in accordance with this best practice provision. For members of the Managing Board, a contractual redundancy clause will be adopted reflecting this provision in principle.

ABN AMRO will not include such a contractual redundancy clause in the contracts of the Managing Board members who already are employed by ABN AMRO. For such members the existing employment contract will be continued, although all entitlements under the contract will be suspended during the period of the Managing Board membership. In the event of a termination of the Managing Board membership the suspended employment contract shall revive and if in the future a termination of that contract would deem to be necessary, this will happen in accordance with applicable labour law.

Best practice provision III.5.11 states that the remuneration committee shall not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the managing board of another listed company.
As stated under best practice provision III.5.1, ABN AMRO's Supervisory Board has a combined remuneration and selection/appointment committee, entitled the Nomination and Compensation Committee. As ABN AMRO attaches great value to the coordinating role of the Chairman of the Supervisory Board, especially in respect of the selection and nomination process of Supervisory Board and Managing Board members, the Chairman of the Supervisory Board will continue to chair the Nomination and Compensation Committee.

Best practice provision IIII.6 states that any conflict of interest or apparent conflict of interest between the company and supervisory board members shall be avoided. This principle has been elaborated in best practice provisions III.6.1 to III.6.7. Pursuant to best practice provision III.6.3, we report that Rothschild has been acting as one of our advisors in our acquisition of Banca Antonveneta. As Mr De Rothschild is a member of our Supervisory Board but also serves in a number of managing and supervisory capacities at various Rothschild companies, our hiring of Rothschild as advisor may have constituted a conflict of interest within the scope of best practice provision III.6.1. Although we do not believe this conflict of interest to be of material importance (as referred to in best practice provision III.6.3) either to us or to Mr De Rothschild, we hereby disclose it and confirm that best practice provisions III.6.1 to III.6.3 have been complied with in respect of it.

*Best practice provision IV.1.1 states that the general meeting of shareholders of a company not having a statutory two-tier status (*structuurregime*) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the managing board or of the supervisory board, and/or a resolution to dismiss a member of the managing board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If the given proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.*
ABN AMRO does not have a statutory two-tier status (*structuurregime*). The Supervisory Board of ABN AMRO has decided, for the time being, to make non-binding nominations for the appointment of its members and for the appointment of members of the Managing Board. This means that the appointment of a candidate for the Supervisory Board or the Managing Board – if made on the basis of a non-binding nomination – requires an absolute majority in the General Meeting of

Shareholders, in which case ABN AMRO applies this best practice provision. If a candidate for the Supervisory Board or the Managing Board is proposed on the basis of a binding nomination, in accordance with its Articles of Association the binding nature of the nomination can be set aside by the General Meeting of Shareholders passing a resolution with at least a two-thirds majority of the votes cast, representing more than half of the economic value of the capital.
Candidates that have been nominated by the shareholders require a similar majority in order to be appointed. This means that in the event that the Supervisory Board would decide in the future to make binding nominations (or a binding nomination) or in the event of a nomination by shareholders, ABN AMRO would not apply this best practice provision.
ABN AMRO applies the procedure set out in its Articles of Association for the dismissal of members of the Managing Board and Supervisory Board. This procedure applies to situations in which (i) the Supervisory Board submits a proposal to the General Meeting of Shareholders to dismiss a member of the Managing Board or Supervisory Board, or (ii) the proposal to dismiss a member of the Managing or Supervisory Board is submitted at the initiative of shareholders. The first of these situations requires an absolute majority of the General Meeting of Shareholders, and in this case ABN AMRO applies this best practice provision. In the event of the second situation arising, ABN AMRO also wishes to follow the procedures laid down in its Articles of Association, and therefore to apply the requirement of a two-thirds majority of the votes cast, representing more than half of the economic value of the capital.
ABN AMRO places great importance on the delivery of long-term shareholder value, so maintaining continuity in the management of the company is critical. For this reason, ABN AMRO will continue to apply the procedure with regard to the nominations for the appointment and dismissal of Supervisory Board and Managing Board members.

US corporate governance

As an SEC-registered company with a listing on the NYSE, ABN AMRO is subject to US securities laws, including the Sarbanes-Oxley Act and certain corporate governance rules imposed by the NYSE. Following the introduction of the Sarbanes-Oxley Act, we established a Disclosure Committee which formalised the roles, tasks and disciplines that were already in place for ensuring the accuracy and completeness of information disclosed to the market. A further requirement of the Sarbanes-Oxley Act, under Section 404, is that management must report annually on the adequacy of the design and effectiveness of the company’s internal control structure and procedures for providing reasonable assurance regarding the reliability of the financial statements. We will provide this report for the first time in 2007 covering the year ending 31 December 2006. For further information about our compliance with the Sarbanes-Oxley Act, please see the section on page 97.

Shareholders’ influence

ABN AMRO Holding and ABN AMRO Bank are both public companies with limited liability incorporated under the laws of the Netherlands. Under an amendment made to its articles of association on 9 June 2005, ABN AMRO Bank has changed from applying the full large company regime (*volledig structuurregime*) to applying the large company regime in its mitigated form (*verzwakt structuurregime*). This means that the Managing Board of ABN AMRO Bank, like its Supervisory Board, is appointed by its shareholder, ABN AMRO Holding.

The (depositary receipts of) preference shares are not listed and are administered by a trust office, ‘Stichting Administratiekantoor Preferente Financieringsaandelen ABN AMRO

Holding' (the Trust Office). The voting rights on the preference shares, although formally held by the Trust Office, are exercised in practice by the depositary receipt holders, as voting proxies will be issued to the depositary receipt holders by the Trust Office under all circumstances. The Trust Office will not exercise its voting rights. The voting rights will be calculated on the basis of the equity participation of the (depositary receipts of) preference shares in proportion to the value of the ordinary shares. Voting rights on preference shares granted to a depositary receipt holder by proxy will correspond to the amount of depositary receipts held by the depositary receipt holder, in relation to the stock price of the ordinary shares on Euronext Amsterdam at the close of the last trading day in the month preceding the calling of the shareholders' meeting.

The Trust Office holds preference shares representing 100% of the total preference share capital on the basis of nominal issued share capital outstanding on 31 December 2005. The actual voting power that can be exercised on the (depositary receipts of) preference shares is approximately 1.8% of our total issued capital, based on the closing share price as at 31 December 2005.

The Act containing amendments to Book 2 of the Dutch Civil Code, which passed into law in 2004, gives shareholders broader powers. ABN AMRO Holding's Articles of Association were amended in 2003 and 2005 to include the right for shareholders representing at least 1% of the economic value of the share capital, or a block of shares representing a market value of at least EUR 50,000,000, to request that additional items be included on the agenda of the shareholders' meeting. One consequence of shareholders' increasing influence is that the shareholders of ABN AMRO Holding are entitled to approve decisions made by the Managing Board that would lead to an important change in the identity or character of the company or business and to approve the remuneration policy of the Managing Board.

Supervisory Board

Candidates recommended for appointment or reappointment to the Supervisory Board should meet the criteria of the membership profile, which is set out in the Rules Governing the Supervisory Board's Principles and Best Practices of ABN AMRO Holding. In order to ensure the Supervisory Board's independence, we apply the criteria of independence as set out in the Code. For more information about the Supervisory Board's independence criteria, see our website at www.abnamro.com. 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. Details of the Supervisory Board's remuneration package can be found in the notes to the financial statements (note 42, starting on page 187).

With effect from 29 April 2005 the Supervisory Board of ABN AMRO has twelve members. Supervisory Board members are appointed for a term of four years and may be re-appointed thereafter, serving a maximum of twelve years, while taking into account the age limit of 70. As described in the report of the Supervisory Board, the twelve-year criterion led to a new nomination to replace Mr Loudon.

A Chairman and a Vice Chairman are appointed by the board from among its members. The Supervisory Board also appoints, again from among its members, the Audit Committee of at least four members, the Nomination & Compensation Committee of at least three members and the Compliance Oversight Committee of at least three members. The committee members are appointed until further notice. The Rules Governing the

Supervisory Board's Principles and Best Practices of ABN AMRO Holding have been revised as a result of the overall reassessment of ABN AMRO Holding's corporate governance structure on the basis of the Dutch corporate governance code. The Rules are available on our website, together with the detailed curriculum vitae of the Supervisory Board's members. A curriculum vitae for each new member of the Supervisory Board is also included in ABN AMRO Holding's Annual Report published in the year in which he or she is appointed. The Managing and Supervisory Boards of ABN AMRO Holding and ABN AMRO Bank have the same membership.

Audit Committee

The Audit Committee reviews, and advises the Supervisory Board on, the quarterly statements, the annual report and annual financial statements, and the internal and external auditors' management letters. It regularly reviews the overall risk profile, the quality of the loan portfolio and the bank's large exposures. In addition, the Audit Committee reviews the consistency of ABN AMRO's accounting policies, the internal audit function, the Group Audit Charter, and the internal control procedures and mechanisms. The Audit Committee also reviews our risk management policy, and reports concerning litigation and acquisitions. In accordance with the Group Audit Charter, the Head of Group Audit has a direct reporting line to the Chairman of the Audit Committee.

Auditor independence is a particularly prominent issue for the Audit Committee. The Committee formally evaluates the independence of the external auditor, the measures used to control the quality of the external auditor's work, and the annual audit budget. The Audit Committee's policy on auditor independence governs the appointment, compensation and oversight of the external auditor. The external audit firm will be appointed or reappointed by the General Meeting of Shareholders for a period of five years on the advice of the Supervisory Board. To ensure its independence, the Auditor Independence Policy prohibits the external auditor from providing certain non-audit services to ABN AMRO.

The Audit Committee is responsible for pre-approving audit, audit-related and permitted non-audit services provided by the external auditor. In exercising its pre-approval authority, the Audit Committee considers whether the proposed services are consistent with the continued independence of the external auditor. Both the Auditor Independence Policy and the Audit Committee Pre-Approval Policy for External Audit Firm Services are accessible via ABN AMRO's corporate website.

Nomination & Compensation Committee

The tasks and responsibilities of the Nomination & Compensation (N&C) Committee can be divided into tasks related to nomination and compensation.
The Committee's nomination responsibilities include preparing the selection and nomination of members of the Supervisory and Managing Boards by preparing and periodically reviewing the succession plans of these Boards on the basis of agreed profiles. Also the granting of the title of SEVP to eligible persons is discussed in the N&C Committee on behalf of the Supervisory Board. The Management Development programmes for Top Executives are discussed, and where relevant the Committee informs the Supervisory Board.

Furthermore the Committee acts on reward and performance issues. Standards and criteria for performance are defined, and on that basis the performance of the members of both Boards is reviewed periodically.
The framework, concept and content of compensation and benefits, pension schemes and other relevant schemes are

discussed and decided by the Committee. Resolutions concerning the remuneration policies for the Managing Board are submitted to the Supervisory Board and are to be adopted by the General Meeting of Shareholders. The Committee prepares a report annually on the remuneration and implementation of these policies in the relevant financial year.

Compliance Oversight Committee

The Compliance Oversight Committee's role is to supervise the bank's compliance organisation, activities and risk profile. More specifically, the committee is responsible for supervising and monitoring – and advising the Managing Board on – the effects of internal risk management and control systems relating to compliance. These duties include supervising the enforcement of the relevant legislation and regulations, and overseeing the effect of codes of conduct. The Compliance Oversight Committee is also responsible – along with the full Supervisory Board – for setting the right tone from the top by communicating the importance of compliance to the Managing Board and the bank as a whole, and by overseeing the Managing Board's communications to the bank about the importance of compliance.

The Compliance Oversight Committee discusses the bank's compliance risk profile on a regular basis. In addition, the committee reviews the compliance plan developed by the Compliance Policy Committee and approved by the Managing Board, and monitors its implementation. The committee is also responsible for supervising the functioning of Group Compliance, and, in particular, for ensuring that Group Compliance is appropriately staffed, compensated, resourced, and supported by other units of the bank. The Head of Group Compliance has a direct reporting line to the Chairman of the Compliance Oversight Committee.

One of the Compliance Oversight Committee's specific duties, subject to the ultimate decision of the Supervisory Board, is to take charge of any remedial actions and/or disciplinary proceedings against members of the Managing Board for breaches of compliance policies, and to provide oversight of any disciplinary processes against other company employees for breaches of compliance policies.

Managing Board

The members of the Managing Board collectively manage the company and are responsible for its performance. The members are appointed by the General Meeting of Shareholders on the nomination of the Supervisory Board. If the Supervisory Board nominates two or more candidates for a vacant seat, the nomination list is binding. However, the General Meeting of Shareholders may resolve that such a list is not binding by a vote of at least two-thirds of the votes, which must represent half of the economic value of the issued capital. Such a majority vote is also required to appoint a Managing Board member other than in accordance with the binding or non-binding nomination of the Supervisory Board. The members of the Managing Board are accountable both collectively and individually for all decisions taken by the Managing Board. The Chairman of the Managing Board leads the Board in its overall management of the company to achieve its performance goals and ambitions. The Chairman is the main point of liaison with the Supervisory Board. The Chief Financial Officer is responsible for the financial affairs of the company, and the Chief Risk Officer has responsibility for supervising and ensuring risk management and operational risk control. Alongside their overall corporate responsibilities, the members of the Managing Board have specific responsibilities for one or more Business Units, Group Functions or Services.

The management of the BUs, Group Functions and Services is delegated to Management Teams. These Management Teams consist of one or more SEVPs and Executive Vice Presidents. A broader leadership team, the Group Business Committee (GBC), is responsible for the leadership of initiatives developed by cross-BU Client Segments, Regional BUs, Product BUs and Services to grow the value of the Group. The GBC consists of five Managing Board members who are responsible for the BUs, and eight SEVPs.

More information on corporate governance can be found on our website at www.abnamro.com.


sweet spot

Compliance

The compliance function within the bank is the independent oversight on behalf of senior management of those core processes and related policies and procedures that seek to ensure the bank is in conformity with industry-specific laws and regulations in both letter and spirit, thereby maintaining the bank's reputation. This includes – but is not limited to – sanctions, monitoring of compliance standards, client acceptance and anti-money laundering, good citizenship, and the protection of clients against the bank's position. This last responsibility manifests itself in areas such as personal account dealing, conflicts of interest and Chinese walls.

The Managing Board is fully committed to the bank's Corporate Values and to preserving the bank's integrity and reputation. By complying in each of the markets in which it operates with the relevant laws and regulations – including the recommendations of the Financial Action Task Force on Money Laundering and regulations set by the Nederlandsche Bank, Federal Reserve Bank, and Office of Foreign Assets Control (OFAC) – the bank safeguards its reputation, its licence to operate, and its ability to create sustainable value for all stakeholders.

Global governance

The Compliance Policy Committee (CPC) is the governing body responsible for the global co-ordination of compliance. Led by the Chairman of the Managing Board, the committee makes decisions on key compliance activities and provides broad oversight of Group Compliance. Members of the CPC include the Chief Financial Officer and the heads of Group Compliance & Legal, Group Legal, Group Risk Management, Group Audit and Group Human Resources, and representatives of all businesses.
During 2005, a new Supervisory Board Committee called the Compliance Oversight Committee was formed. The creation of the Compliance Oversight Committee demonstrates that compliance warrants continuous attention by the Supervisory Board, and that the bank works actively to resolve any compliance issues that are identified. In the new structure, the Head of Group Compliance reports to both the Chairman of the Managing Board and the Chairman of the Compliance Oversight Committee.

Group Compliance tasks

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

- identify risks and regulations relevant to the bank's activities
- design policies and procedures to minimise regulatory and reputation risk
- advise, train and provide reports to senior management with regard to regulations and compliance with these regulations
- promote effective compliance and ensure or oversee follow-up actions in the event of non-compliance
- manage regulatory inquiries and incidents.

Key initiatives

In 2005 Group Compliance developed and began executing a remedial action plan, of which the main initiatives are highlighted below. The Orders received in December 2005

Compliance has become crucial to our ability to navigate our way through an increasingly complex business environment. It is important that we comply in all circumstances with the laws and regulations of each market in which we operate. On 1 January 2005, Group Compliance adopted a new global structure covering all ABN AMRO's operations and subsidiaries worldwide. 2005 also saw the creation of a new Supervisory Board Committee called the Compliance Oversight Committee, together with the launch of a Group-wide mindset programme around compliance, a new transaction filtering process and a revised Client Acceptance & Anti-Money Laundering Policy.

ABN AMRO's strategy is firmly set: focusing on our 'sweet spot', the consumer and commercial mid-market clients – and fully leveraging the benefits of being one bank. The essence of the organisational changes that took effect at the beginning of 2006 is that we now are organised around our 'sweet spot'.

will be reflected in our mandatory planning during the course of 2006.

Strengthening the Compliance organisation

In 2005, the total number of FTEs within Group Compliance rose to around 800 worldwide, thus ensuring that the Compliance department can carry out its global responsibilities effectively.

Mindset programme: 'Our values in action: acting with integrity'

In April 2005, we launched the 'Our values in action: acting with integrity' programme to increase awareness and build on the global compliance mindset throughout the bank. The main messages include management's position as role models and each staff member's individual responsibility for compliance. The programme involves newsletters, posters and messages, as well as special training and policy updates to support employees with day-to-day compliance issues.

Client Acceptance & Anti-Money Laundering (CAAML)

The revised CAAML Policy was implemented worldwide on 1 September 2005, taking into account the principles of the Wolfsberg Group, of which ABN AMRO is a member. To ensure compliance with the policy, mandatory Group-wide training for staff on CAAML was implemented through computer-based training and regional workshops.

In addition to CAAML training, a CAAML Advisory team for technical support and Quality Assurance Programme was established.

A bank-wide Anti-Money Laundering Oversight Committee was formed in 2005. Among other duties, this Committee will be responsible for advising on the CAAML Policy and reviewing instances of suspicious activity that are referred to it.

Transaction filtering and monitoring

During 2005, ABN AMRO has continued to enhance its Anti-Money Laundering Compliance programme across the branch network in order to meet its legal and regulatory compliance obligations and to ensure robust systems and controls for each part of its CAAML policy. Enhancements were focused on automating existing client acceptance and monitoring processes.

EU Market Abuse Directive

The EU Market Abuse Directive, which has the objective of regulating market manipulation and insider trading, was successfully implemented and embedded into the working practices of ABN AMRO in 2005. Compliance officers across Europe worked together to ensure a 'one bank' approach while delivering educational and communication tools on the topic, including comprehensive computer-based training on market abuse. Other compliance-related communications focused on the responsibilities of senior management to ensure compliance with the Directive.

The bank's systems and controls for identifying and monitoring incidences of market abuse were also reviewed, assessed, and – where appropriate – reconfigured to ensure that they complied with the new Directive. In particular, several policies restricting the flow of confidential information within the bank were tightened, ensuring that the standard of integrity within ABN AMRO remains high.

Group Security

Group Security contributes to a sound and secure environment across ABN AMRO by developing global policies and standards for physical security and financial crime, supporting commercial and strategic decisions, and investigating serious security and compliance breaches.
It provides a security framework and related services that enable the business to take ownership of its security responsibility.

Sustainable development

To create sustainable value for all our stakeholders, we run our business responsibly. This means behaving with integrity and openness, and taking environmental, social and ethical issues into account. This approach helps us to build and sustain the trust that underpins our licence to operate, and enables us to be a valued business partner for our clients. In 2005 we intensified our sustainability-related activities by focusing on providing responsible financial services, building employee engagement, protecting our assets, being accountable and transparent, minimising our direct impact and supporting local communities.

Making a commitment

Our main objective in all we do is to create sustainable value for our clients, employees and shareholders. To help us achieve this, we run our business responsibly – meaning with integrity and openness. We also consider the interests of other stakeholders in society, by taking environmental, social and ethical issues and the effect on future generations into account.

We recognise that our role of allocating capital between various activities brings a duty of responsible conduct and engagement. Our licence to operate depends on the trust of clients, employees, shareholders, governments, supervisors and society at large. Integrity and transparency form the bedrock of this trust. And active engagement with our stakeholders is a rich source of information and understanding, which enables us to be a well-informed and valued business partner for our clients.

Continuing our sustainable journey

We live in challenging times. Natural disasters, energy constraints, climate change, poverty and demographic change are shaping our social and business environment. These forces create both challenges and opportunities for us and our clients – and offer advantage to those that recognise trends early and draw practical conclusions about their consequences. Our recent focus has been on embedding sustainable development into our organisation by including it in our credit decisions and product offerings. Our efforts and progress in this area have been widely recognised, but our commitment to sustainability inevitably raises dilemmas for us. While we do not have all the answers, we will not avoid the difficult questions that arise.

Accelerating and integrating the sustainable development business agenda

During 2005 we continued to investigate the value case for sustainable development at ABN AMRO and found that sustainability adds value to our organisation in several ways:

- *Providing responsible financial services:* Like us, our customers face today's global problems, and sustainability allows us to deepen our relationships with them. ABN AMRO is perceived as a partner offering holistic advisory services including sustainable development expertise, and as an innovator in new products and services based on sustainable development, such as Socially Responsible Investment (SRI) fund management and carbon trading. We are also opening up opportunities to foster sustainable development in Emerging Markets through techniques such as micro-finance, as well as providing a well-informed perspective on the risks in these markets
- *Employee engagement:* Sustainability strengthens ABN AMRO's ability to attract, motivate and retain staff, by making the people who work for us feel proud, motivated and loyal. It also helps us attract and keep the best talent
- *Protecting our assets:* Sustainability is an integral part of ABN AMRO's risk management. It has helped us improve our foresight and insight into our overall exposure, and increase our knowledge and understanding of the challenges and opportunities facing our clients in their industries
- *Being accountable and transparent:* These qualities help build our brand around trust, character, integrity and credibility. We often have to balance and reconcile conflicting interests, and we are open about these dilemmas. Transparency has also

strengthened our emotional connection with our stakeholders, and helped us create attractive offerings in ethical and socially responsible investment

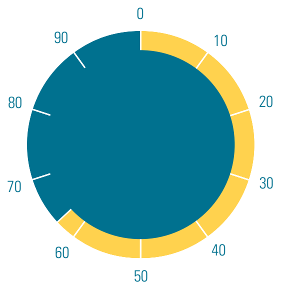
- *Minimising impact from business operations:* As a major occupier of real estate, we want to minimise the environmental impact of our facilities. As well as benefiting the environment, sustainability helps us save money by reducing energy consumption. Our staff are equally keen to contribute to a cleaner environment, so we increase employee engagement through our energy reduction activities and by using energy from green sources. We also engage continually with our suppliers over social and environmental issues
- *Supporting local communities:* As a good corporate citizen ABN AMRO wants to act responsibly towards its customers, employees and the world at large. We are an integral part of the communities we serve, and want to help these communities thrive and develop. We invest in communities through financial donations, in-kind contributions and employee involvement. We established the ABN AMRO Foundation in 2005. In line with the United Nations' Millennium Development Goal no. 1, its aim is to eradicate poverty and tackle other related issues. It focuses on supporting and stimulating entrepreneurship in poor regions, thereby helping to foster sustainable livelihoods. The Foundation receives an annual grant from ABN AMRO of EUR 5 million.

Stepping up our efforts

The Managing Board has decided to intensify and accelerate our sustainable development efforts by integrating the sustainable development business agenda more closely into all our activities. You can find out more in our 2005 Sustainability Report, published alongside this 2005 Annual Report, or at www.abnamro.com.

core businesses

Consumer & Commercial Clients



Consumer & Commercial Clients

(as % of Group operating profit before tax)

Key figures Consumer & Commercial Clients

(in millions of euros)	**2005**	2004
Net interest income	**8,094**	6,895
Net fee and commission income	**1,866**	1,749
Net trading income	**225**	150
Results from financial transactions	**50**	(249)
Share of result in equity accounted investments	**145**	87
Other operating income	**1,340**	1,047
Operating income	**11,720**	9,679
Operating expenses	**7,391**	6,809
Operating result	**4,329**	2,870
Loan impairment and other credit risk provisions	**754**	585
Operating profit before tax	**3,575**	2,285
Income tax expense	**1,023**	677
Net operating profit	**2,552**	1,608
Discontinued operations (net)	**0**	239
Profit for the year	**2,552**	1,847
Total assets	**260,041**	217,524
Risk-weighted assets	**161,141**	145,775
Full-time equivalent staff	**68,554**	70,193
Number of branches and offices	**3,366**	3,293

Consumer & Commercial Clients serves almost 20 million consumer clients, small to medium-sized enterprises and corporate clients, and has an especially strong position in the mass affluent consumer and mid-sized commercial segments. It operates principally in the Netherlands, the US Midwest and Brazil, which are the markets where we have a leading local franchise operated through local staff.

Consumer & Commercial Clients also includes our consumer and commercial banking activities in new growth markets in Asia and Europe, as well as Bouwfonds, our property development and financing subsidiary.

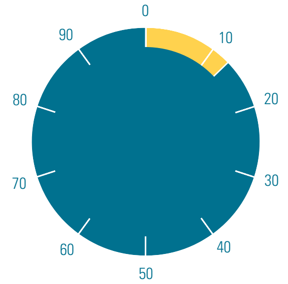
Across Consumer & Commercial Clients, we are pursuing several knowledge-sharing initiatives to realise synergies. These will enable us to focus even more strongly on our customers, particularly in areas where we already have a competitive advantage. These are:

- on the commercial side on small to medium-sized enterprises and corporate clients
- on the consumer side on the mass affluent segment.

We will be offering these types of clients a wide range of financial services, enabling us to build and expand long-term relationships with them.

Key figures BU Netherlands

(in millions of euros)	**2005**	2004
Net interest income	**2,785**	2,508
Net fee and commission income	**668**	631
Net trading income	**54**	36
Share of result in equity accounted investments	**14**	32
Other operating income	**163**	82
Operating income	**3,684**	3,289
Operating expenses	**2,675**	2,790
Operating result	**1,009**	499
Loan impairment and other credit risk provisions	**277**	173
Operating profit before tax	**732**	326
Income tax expense	**223**	96
Profit for the year	**509**	230
Total assets	**95,272**	86,602
Risk-weighted assets	**47,279**	55,523
Full-time equivalent staff	**18,989**	19,846
Number of branches and offices	**639**	662



BU Netherlands

(as % of Group operating profit before tax)

BU Netherlands

ABN AMRO is one of the leading banks in the Netherlands, with a total of almost five million consumer, small to medium-sized enterprise (SME) and corporate clients. In 2005, BU Netherlands' (BU NL's) market-leading products and services and seamless multi-channel service model enabled it to make continuing progress towards its aspiration of being the primary bank for all its customers. Client satisfaction, operating income and profit for the year all showed healthy increases, despite the subdued economic conditions in the Netherlands. Looking forward, BU NL will continue to focus on strengthening and deepening its client relationships, especially among its key target groups – affluent clients and small to medium-sized enterprises.

As of 31 December 2005 BU NL served 4.6 million consumer clients, over 360,000 small to medium-sized enterprise clients and around 5,600 corporate clients. The size and diversity of this client base puts ABN AMRO at the forefront of the banking industry in the Netherlands. The bank services its clients through a network of 555 bankshops, 79 advisory branches and five dedicated corporate client units. Furthermore, BU NL operates 1,561 ATMs, four integrated call centres, and internet and mobile channels.

Strategy, products and services

BU NL's aspiration is to become the primary bank for all its customers by delivering a service that makes a difference and is always personal, through every channel. In line with ABN AMRO's mid-market strategy, BU NL's key competitive advantage lies with affluent individuals and small to medium-sized enterprises.

BU NL is a fully-integrated consumer and commercial bank offering a full range of financial services and products. Alongside its own product capabilities, BU NL actively uses product knowledge from the bank's other BUs, for example through the Regional Treasury Desks that make Wholesale Clients product knowledge available to BU NL's commercial clients. In addition we offer insurance products manufactured by our joint venture with Delta Lloyd.

Through its integrated multi-channel service model, BU NL provides clients with a full range of financial services, 24 hours a day, seven days a week. In 2005, we continued to upgrade our services and enable customers to access them more easily. As a result, client satisfaction with our internet banking – defined as those clients rating their satisfaction at 8 or more out of 10 – is now at an all-time high of 73%. The number of internet clients increased by 24% in 2005 and the percentage of payments conducted via the internet continued to rise. As a further recognition of the quality of our multi-channel service model we won the 2005 National Call Centre Award. The continuing rise in the number of clients using our direct channels reduces the time that staff in the branches spend on selling standardised products. In 2005, our branches were open on Saturdays and during late night shopping hours.

The growing success of BU NL's strategy and service model is also reflected in our overall client satisfaction rates. The proportion of clients who are very satisfied with BU NL's services, rating us at 8 or more out of 10, rose by 8% in 2005. BU NL will continue to work hard to improve client satisfaction still further.

Results in 2005

BU NL's profit for the year increased by 21.8% to EUR 509 million in 2005, adjusted for the restructuring charge related to Group Shared Services in 2004 (EUR 287 million in operating expenses, EUR 188 million in profit for the year). The following figures have been adjusted for this charge. The increase was mainly a result of a rise in operating income.

Operating income grew by 12.0% to EUR 3,684 million, mainly due to increased volumes of loans. This growth in volumes reflected improved levels of client satisfaction driven by better service and product offerings. The rise in client satisfaction was especially strong among mid-market consumer and commercial clients. BU NL's operating income was also enhanced by an increase in mortgage prepayment penalties, reflecting the high levels of mortgage re-financing in the Netherlands. Almost all other loan products reported double-digit volume growth, as a result of growing market share and an increase in client appetite for these products. The EUR 37 million increase in net fee and commission income was broadly based, although commission on securities grew particularly strongly in the improved stock market climate. Net trading income increased by 50.0% to EUR 54 million, mainly due to higher income from derivatives sales. This reflects the success of the regional treasury desks, which combine BU NL's strong mid-market corporate client relationships with the product expertise of WCS. The rise in other operating income is explained by the transfer of Stater from BU NGM to BU NL on 1 January 2005.

Operating expenses increased by 6.9% to EUR 2,675 million mainly due to the transfer of Stater, higher commercial expenses and costs arising from Sarbanes Oxley, Basel II and Compliance. Additional costs arose from compensating staff on the termination of profit-sharing arrangements. It was agreed that staff would be compensated in 2005 and 2006 for a total of 3.5 years' profit sharing. The compensation for 2005 was taken as a one-off charge at the end of 2004 (in Group Functions). The costs related to the buy-off in 2006 were accrued over 2005.

Provisioning increased by EUR 104 million to EUR 277 million, mainly in the SME and consumer loan portfolios. This was a reflection of the relatively weak economic environment in the Netherlands, the increase in the total volume of loans and the faster-than-average expansion of our consumer finance portfolio. Provisioning for the mortgage portfolio remained relatively stable.

Staff numbers decreased by 857 full-time equivalents, mainly due to the outsourcing of IT services, and the transfer of transaction services and facility management services to other BUs. These reductions were partly offset by increases arising from the transfer of Stater to BU NL.

Initiatives for 2006

The alignment of the Group's structure with its mid-market strategy will have a positive effect on BU NL. The entire Dutch market will now be served on the basis of a single coherent market approach. The local focus on client relationships remains central, but the new BU NL will be able to differentiate itself even further by better leveraging ABN AMRO's international network and product capabilities.

Looking forward, we will continue to focus on strengthening and deepening our client relationships. We are confident we will achieve this, as we continue to upgrade our offerings to our target client groups, thereby encouraging them to use ABN AMRO as their primary bank.

BU NL's improved organisational model, consisting of Value Center Consumer and Value Center Commercial, has become operational as from 1 January 2006. This adjustment brings major benefits, enabling us to sharpen our market focus and increase the number of client-facing staff to improve still further the advisory capabilities in our branches. There has been no disruption for our clients – the service concept, contact points and branch locations have remained unchanged.

From 1 January 2006, Bouwfonds' mortgage activities have been transferred to BU NL, centralising all Dutch mortgage activities in BU NL.

ABN AMRO introduces Preferred Banking: personal banking affluent segment

Affluent clients want a consistently excellent personal banking experience, anytime and anywhere they need it. Preferred Banking is our new way to deliver this. These clients are more affluent and have more complex financial needs than the average consumer client. So every affluent client now has his or her own Preferred Banker to assist with every financial need, question or wish.

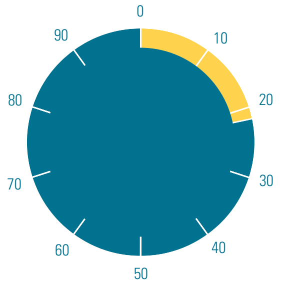
We created Preferred Banking by taking ABN AMRO's successful 'Van Gogh Preferred Banking' service in Europe, Asia and Brazil and adjusting it to suit the Netherlands market. It is both personal and special, and is based on service, accessibility, expertise and transparency. In the Netherlands, the dedicated banker's role is embedded across a broad range of channels, with clients benefiting from services including direct email and internet contact with their own Preferred Banker, annual financial and investment overviews, a 24x7 call centre service, and Preferred Banking lounges in bank branches.

Preferred Banking's success has driven a sharp increase in revenues and client satisfaction, and has attracted over 54,000 new clients within a year. We will continue to develop the concept in 2006, introducing new elements including online financial planning, new investment forms and a special introductory package for new clients. We will also build new Financial Centres with Preferred Banking lounges, and a special Preferred Banking lounge at Schiphol Airport.

BU North America

ABN AMRO is one of the largest foreign banks in the United States (US). The core of BU North America (BU NA) is LaSalle Bank, headquartered in Chicago, Illinois. BU NA reaches beyond the Midwest through an expanding network of regional commercial lending offices and a mortgage business that operates nationwide. In 2005, BU NA achieved an increase in operating income and profit for the year. It aims to continue to increase its market share in 2006 by building employee and client engagement and expanding its geographic network.

Operating under the name LaSalle Bank, headquartered in Chicago, Illinois, BU NA serves approximately 3.5 million individuals, small businesses, mid-market companies, larger corporates, institutions and municipalities. We offer a broad range of



BU North America

(as % of Group operating profit before tax)

Key figures BU North America

(in millions of euros)	2005	2004
Net interest income	**2,269**	2,227
Net fee and commission income	**643**	610
Net trading income	**94**	100
Results from financial transactions	**43**	(261)
Other operating income	**434**	499
Operating income	**3,483**	3,175
Operating expenses	**2,236**	2,086
Operating result	**1,247**	1,089
Loan impairment and other credit risk provisions	**21**	143
Operating profit before tax	**1,226**	946
Income tax expense	**355**	274
Profit for the year	**871**	672
Total assets	**90,021**	73,340
Risk-weighted assets	**66,743**	53,825
Full-time equivalent staff	**16,044**	17,159
Number of branches and offices	**434**	428

investment, commercial and retail banking products and services through more than 400 branches and 1,600 ATMs in Illinois, Michigan and Indiana.

As ABN AMRO focuses increasingly on its 'sweet spot' – mass affluent consumers and commercial mid-market clients – BU NA aims to continue to achieve strong returns for the Group, by empowering our employees to provide the highest level of service to these customers.

While rooted in the US Midwest, BU NA reaches further through an expanding network of 18 regional commercial banking offices across the country. The Mortgage business provides a strong presence across the US, doing businesses in all 50 states through an extensive broker network and the mortgage.com website.

Ranked by deposits, ABN AMRO is the second-largest bank in the Chicago area and the largest in Michigan. Collectively, we are the 13th largest bank in the US with assets exceeding USD 110 billion, and are now the 20th largest in terms of deposits. ABN AMRO is the third largest foreign-owned institution in the United States in terms of assets and deposits.

Strategy, products and services

A key element of BU NA's mission is to be the premier relationship-driven bank based in the US Midwest. To enable us to achieve this objective, we maintain a varied portfolio of businesses designed to meet the sophisticated and changing needs of consumer and commercial clients. These businesses include Commercial Banking, Specialty Banking and Personal Financial Services. In addition to these three businesses, we operate nationwide mortgage activities through our Mortgage Group.

The Commercial Banking group now serves more than 10,000 public and private sector customers via the Midwest branch network, as well as a network of 18 regional offices, focusing on providing mid-market companies with a total commercial banking solution including lending, expertise in specialised industries, treasury management, trust and asset management services. The ongoing deepening and expansion of our relationships with existing customers continue to drive the consistently strong long-term performance of this business.

The Specialty Banking business includes corporate capital markets, commercial real estate and asset-based lending. In 2005, USD 4.5 billion in real estate loans were sold. BU NA is the fifth largest asset-based lender in the US and ranks sixth in middle market syndicated deals nationwide. Our asset-based lending group has enjoyed much recent success in closing cross-border and large syndicated deals. Specialty Banking business is expanding its presence in more than 20 states across the country.

BU NA also operates US-wide businesses engaged in the residential mortgage industry, broker dealer services, equipment financing and leasing. ABN AMRO is one of the 15 largest mortgage loan originators and ten largest mortgage servicers in the US.

Results in 2005

Please note that all figures described are at constant exchange rates in order to facilitate comparison. On average, the US dollar appreciated by 0.8% against the euro in 2005.

BU NA's profit for the year increased by 21.9% to EUR 871 million in 2005, adjusted for the restructuring charge related to Group Shared Services in 2004 (EUR 61 million in operating expenses, EUR 40 million in profit for the year). The following figures have been adjusted for this charge.

Operating income grew by 8.7%, driven by higher commercial banking revenues and lower hedging costs related to the available-for-sale (AFS) portfolio.

The operating income of the commercial banking business increased by 9.6% on the back of loan growth and higher non-interest income. The operating income of the retail banking business increased by 4.4%, primarily due to higher commission income.

Net interest income increased by 1.0% due to solid growth in commercial loans and higher deposit spreads. These more than offset the impact of the flattening yield curve and margin pressure in commercial lending. Non-interest income benefited from lower hedging costs related to the AFS portfolio – shown under results from financial transactions – which more than made up for the 8.3% decline in

Helping clients enhance cash flows

BU NA strives to enhance its services on a continuing basis in line with client needs. For example, clients are actively involved in the development of treasury management and electronic banking products, such as CashPro, BU NA's premier online banking service designed to simplify critical treasury management activities.

BU NA's latest CashPro service has been developed on the basis of in-depth client research. This highlighted the market need for an efficient and automated tool to simplify the time-consuming and sometimes tedious cash-positioning process. Because most clients currently use Excel for cash positioning, BU NA partnered with Microsoft to develop CashPro Accelerate SM, an innovative solution that enables clients to save time, minimise errors and increase control. Mr M. Greenough from Little Caesars comments: "CashPro Accelerate has substantially reduced the amount of time required to calculate our total cash position. It has also provided us with a standard reporting format across all our operating units."

This commitment to meeting client needs earned CashPro high honours for cash management service internet applications. According to independent market analysis, LaSalle continues to provide clients with a comprehensive 'best-in-class' platform offering robust functionality.

synergy

mortgage banking revenues booked in other operating income.

Revenues from mortgage banking decreased by 8.3% to USD 267 million, representing 6.1% of BU NA's operating income. The fall in total mortgage income was primarily due to a 58.9% decrease in origination income, resulting from a contraction in refinancing activity and the market shift to non-conforming products. The revenues from mortgage servicing, including hedging results, increased by 23.5% to USD 221 million on a servicing portfolio of USD 206 billion.

Operating expenses increased by 8.9% due to increases in staff costs, bonus accruals, business development expenses and professional fees. Operating expenses were impacted by incidental costs of USD 77 million in the last quarter.

Provisioning fell from 25 basis points of average RWA to 3 basis points. This decrease was due to lower gross provisioning levels as well as recoveries, reflecting the high credit quality of the loan portfolio.

A settlement of USD 16.85 million, in connection with the Federal Housing Administration insurance certifications, has been reached between ABN AMRO Mortgage Group, Inc. and the US Department of Justice, the Office of the Comptroller of the Currency and the US Department of Housing and Urban Development. This settlement was provisioned for in 2004, and therefore had no impact on the results for 2005.

Knowledge sharing, trust and collaboration across organisational boundaries are crucial for providing our clients with the highest possible quality of service and creating value for the bank's stakeholders. Working together and sharing a common vision makes ABN AMRO worth more than the sum of its parts.

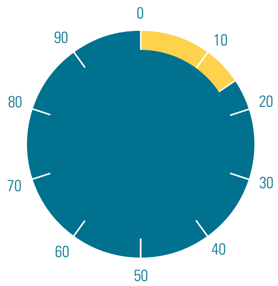
Initiatives for 2006

In 2006, as a result of the alignment of the Group's structure with its mid-market strategy, BU NA will leverage its relationship-driven business model to provide high-quality services and products to a number of large corporates and financial institutions formerly served by WCS.

BU NA will continue its drive to build our employees' engagement in the bank's strategy and success, thereby enabling us to create closer client relationships, provide better advice and in turn increase clients' engagement with us. For example, within Personal Financial Services, our new collaborative sales and service delivery model continues to generate positive financial and intangible results. We are also emphasising important governance and compliance issues across the organisation through regular communication and education.

We will strive to increase market share in 2006, by building strong relationships with new clients and potentially by expanding our geographic network. Client intimacy is a key driver of our success, and its importance will be evident through ongoing enhancements across all our businesses.

In 2006, BU NA will work even closer with other BUs to maximise the value of the offerings and capture global synergies, particularly across the international services groups. Joint teams formed in 2005, including product managers and relationship managers from across ABN AMRO, will continue to work together to make this objective a reality.



BU Brazil

(as % of Group operating profit before tax)

Key figures BU Brazil

(in millions of euros)	**2005**	2004
Net interest income	**2,164**	1,507
Net fee and commission income	**352**	317
Net trading income	**52**	(1)
Share of result in equity accounted investments	**37**	10
Other operating income	**370**	151
Operating income	**2,975**	1,984
Operating expenses	**1,730**	1,297
Operating result	**1,245**	687
Loan impairment and other credit risk provisions	**363**	219
Operating profit before tax	**882**	468
Income tax expense	**238**	167
Profit for the year	**644**	301
Total assets	**23,663**	13,987
Risk-weighted assets	**14,742**	9,271
Full-time equivalent staff	**25,912**	26,800
Number of branches and offices	**2,106**	2,057

BU Brazil

BU Brazil aims to be one of the most efficient and valued banks amongst the top four privately-owned banks in the Brazilian market, and seeks to grow its business by focusing on clients. It is also widely recognised as a leader in fostering sustainability. BU Brazil had a very good year in 2005, capitalising in full on the favourable scenario in the Brazilian economy. Lending, both to individuals and small to medium-sized enterprises (SMEs), rose strongly, helping to drive operating income up by 13.4%. Tight cost control kept the rise in operating expenses below the general rate of inflation, and contributed to a strong rise in profit for the year. Initiatives in 2006 will aim to optimise BU Brazil's operating platform by continuing the segmented approach to the mid-market consumer and commercial clients who make up the bank's 'sweet spot'.

ABN AMRO has been present in Brazil since 1917. However in 1998, with the acquisition of Banco Real, Bandepe and Paraiban, the bank took a major step towards becoming one of the leading players in Brazilian retail and commercial banking. In October 2003, with the acquisition of Banco Sudameris, ABN AMRO consolidated its position in the top tier of Brazilian privately-owned retail and commercial banks.

Today, BU Brazil operates as a universal bank offering financial services on a nationwide basis through 2,106 stand-alone and in-company branches, 6,230 points-of-sale and 8,370 ATMs. With a presence in all state capitals and major Brazilian urban centres, BU Brazil serviced around ten million clients in the country as of December 2005.

Strategy, products and services

BU Brazil's core strategy is to grow its business by focusing on clients. We seek to increase our clients' satisfaction on a continuous basis by meeting their day-to-day and long-term development needs, through fully-fledged retail, corporate and investment banking products and services. BU Brazil aims to be one of the most efficient and valued banks amongst the top four privately-owned banks in the Brazilian market, and offers a segmented client service approach both to individuals and companies. Van Gogh preferred banking services are offered to our mass affluent clients on a nationwide basis and provide an international identity and a key element of aspiration in our retail banking strategy.

In 2005, ABN AMRO implemented a new segmented servicing approach for corporate banking. This was designed to enhance our focus and efficiency, enabling us to deliver a seamless product offer for multinational corporations and capitalising on our large mid-market commercial client base, now served by our specialised regional and middle market relationship management teams and using a single product platform. This has allowed us to capture business opportunities in the current economic cycle and increase our share of our clients' banking business.

ABN AMRO is also a major player in the Brazilian consumer finance business, with our Aymoré franchise holding more than 14,000 dealer relationships for the distribution of vehicle financing and other consumer goods financing nationwide.

In 2005, in line with the Group-wide strategy of focusing on its core areas of competitive advantage, BU Brazil effected the 100% sale of property and casualty insurer Real Seguros and 50% of life insurance and pension company Real Vida e Previdência. The buyer in both cases was Tokio Marine & Nichido Fire Insurance Co., Ltd, with which we also entered into an exclusive bancassurance partnership in Brazil.

ABN AMRO is also widely recognised as a pioneer and leader in the development of sustainable bank-society relationships in Brazil. We have long regarded profitability as going hand-in-hand with social responsibility. Our recognition of the importance of ethical principles in conducting business has now developed into a strong overall commitment to society and the environment.

Embracing diversity

Our 2005 engagement surveys showed BU Brazil to have the highest employee engagement rate in the Brazilian market, with 91% of our employees declaring themselves to be engaged in their work, and 98% declaring that they were proud to work in the organisation.

In 2005 BU Brazil was also recognised for the fourth year in a row as one of "The Best Workplaces" in Brazil in a survey led by Guia Exame, a national business publication. In the same survey we were ranked as the fifth "Best Workplace for Women". On the same theme, BU Brazil was ranked for the second consecutive year by the Great Place to Work Institute as one of the "Top 100 Best Places to Work in Latin America".

BU Brazil has been consistently recognised for delivering a differentiated client service, and has earned the "Excellence in Client Servicing – Modern Consumer" award in the retail bank category. Similarly, Banco Hoje – a national banking publication – has named us "Best Client Servicer" for the second year on the run.

ABN AMRO's commitment to embracing diversity was also recognised when we were awarded the "Camellia Flower Freedom Award" promoted by the Outcast Population Articulation Center.

Results in 2005

All figures are calculated at constant exchange rates in order to facilitate comparison. On average, the Brazilian real appreciated 22.6% against the euro in 2005. BU Brazil's results were influenced by the sale of Real Seguros in 2005 (EUR 229 million in operating income, EUR 196 million in profit for the year). The following figures have been adjusted for this sale.

Profit for the year increased by 35.2%.

Operating income rose by 13.4%, mainly resulting from an increase in the retail loan portfolio. Lending to households increased by 35.1%, accounting for 53.8% of the portfolio. This was driven by strong growth in personal loans and overdrafts. Lending to SMEs grew by 27.3% on the back of increased account receivables financing and working capital needs.

Operating income from consumer finance activities was down by 6.8%, with the 7.2% growth in net interest income being more than offset by a decrease in net fee and commission income. While the focus for 2004 was on rationalisation and introducing improvements to credit scoring and collection procedures, the focus in 2005 shifted back successfully to growing the loan portfolio. This resulted in 34.9% growth in new loans production, as well as higher commissions being paid. Average spreads continued their downward trend, reflecting the competitive consumer finance environment.

Operating expenses increased by 9.5%, driven by increases in staff costs as a result of the new collective labour agreement, an increase in bonus accruals, new marketing and current account acquisition campaigns, the appreciation of the Brazilian real and a number of incidental expenses in the last quarter of 2005. Adjusted for these incidentals, the expenses reflect ongoing cost control as well as synergy benefits related to the integration of Banco Sudameris.

Provisioning increased to 303 basis points of average RWA, compared with 257 basis points in 2004. This increase reflects the retail loan portfolio's strong growth.

Operating profit before tax increased by 14.9% as a result of robust revenue growth and active cost management. Given the volatility experienced in the tax line as a result of the hedge impact, operating profit before tax is a good point of reference for measuring BU Brazil's performance.

The effective tax rate fell by 4.3 percentage points to 31.4%, mainly as the result of a tax credit in the fourth quarter. The further appreciation of the Brazilian real against the US dollar in 2005 led to a hedge-related tax charge of EUR 39 million, compared with EUR 24 million in 2004.

Initiatives for 2006

Our 2006 initiatives will aim to optimise our operating platform through a segmented approach to financial services. We will support and service individuals, entrepreneurs and small to medium-sized business owners, and hand-in-hand with these key elements of economic growth we will contribute to Brazil's development and the sustainability of ABN AMRO's businesses. Taken together, the client groups who are serviced out of our national retail network represent the 'sweet spot' for ABN AMRO's business in Brazil.

Our Aymoré consumer finance franchise plans to maintain its leading position in vehicle financing, expanding new brand/dealer relationships and elongating financing terms at the same time as incrementing its acquisition finance activities for other goods. Our consumer finance customer base will also provide an excellent cross-selling platform for our retail business.

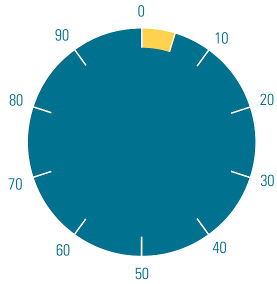
Following the alignment of the Group's structure with its mid-market strategy as of 1 January 2006, BU Brazil is managed and reported as the core of BU Latin America, which also includes ABN AMRO's activities elsewhere in Latin America such as in Chile, Paraguay, Uruguay and Mexico.

BU New Growth Markets

BU New Growth Markets (BU NGM) provides a growing range of banking services for consumers in countries ranging from the Asia Pacific region, via the Middle East, to Europe – a geographical footprint that includes large, fast-expanding and profitable markets such as India, the United Arab Emirates (UAE), Taiwan and Hong Kong. In 2005, BU NGM focused on realising the expanding opportunities in the consumer mid-market segment in Asia, by servicing the mass affluent segment with specially-targeted banking products and services. During the year BU NGM achieved strong growth in

Key figures BU New Growth Markets

(in millions of euros)	**2005**	2004
Net interest income	**363**	237
Net fee and commission income	**193**	173
Net trading income	**25**	15
Results from financial transactions	**6**	6
Share of result in equity accounted investments	**73**	44
Other operating income	**47**	84
Operating income	**707**	559
Operating expenses	**369**	346
Operating result	**338**	213
Loan impairment and other credit risk provisions	**67**	41
Operating profit before tax	**271**	172
Income tax expense	**58**	33
Net operating profit	**213**	139
Discontinued operations (net)	**0**	239
Profit for the year	**213**	378
Total assets	**7,753**	5,344
Risk-weighted assets	**6,461**	4,403
Full-time equivalent staff	**5,599**	4,616
Number of branches and offices	**143**	112



BU New Growth Markets

(as % of Group operating profit before tax)

operating income and profit for the year, thanks partly to the continuing success of its credit card and Van Gogh Preferred Banking offerings in Asia.

In 2005, BU NGM continued to support the Group strategy by refining its market approach and organisational structure. The main changes included the transfer of our mortgage-related activities in Europe to BU Netherlands, which was effected via our subsidiary Stater – an end-to-end services provider in the European mortgage market – as part of the Group-wide consolidation of these activities into one BU. Additionally, the consumer banking activities in Kazakhstan, previously conducted under the auspices of Wholesale Clients, were transferred to BU NGM.

As well as boosting top-line revenue growth by over 40% (adjusted for the transfer of Stater), these changes will increase the transparency of our fast-growing operation in Asia and enable us to exploit synergies and pursue new opportunities in consumer banking.

Strategy, products and services

BU NGM's strategy focuses on exploiting the expanding opportunities in the consumer mid-market segment in Asia. Our widespread regional presence from the Middle East to Asia Pacific includes large, fast-growing and profitable markets such as India, the UAE, Taiwan and Hong Kong. Further attractive factors in these markets include growth of around 9% a year in consumer mid-market clients' spending on personal financial services, continuing deregulation, a relatively small number of well-established incumbent players, and a growing and increasingly knowledgeable population of mass affluent consumers. We also have a 40% stake in Saudi Hollandi Bank, to which we provide management services and know-how in consumer products. A good example of this

Placement of USD 100 million of equity funds in India – national record

In 2005, the consumer bank set a new national record in India by placing approximately USD 100 million in equity funds within a single month – a record for one-month collections by any distributor in India for equity funds.

Additionally, the total number of purchase applications relating to this transaction, at 13,540, set a new internal record for investment services in India, as a result of record subscriptions from all branches and client segments covered by the consumer bank.

ABN AMRO Investment Services business won the CEO award in 2005, and is one of the largest distributors of equity mutual funds in India.

knowledge-sharing can be seen in the successful roll-out of the preferred banking concept in Saudi Arabia.

Our strategic emphasis in Asia and Central and Eastern Europe is on servicing the mass affluent segment with specially-targeted banking products and services. By opening new branches we have increased our geographical footprint. In Asia, our key offerings include credit cards and our highly-rated Van Gogh Preferred Banking (a relationship banking approach for mass affluent clients serviced through a dedicated point of contact), together with related products such as consumer finance – especially in India – and savings and deposit accounts. As a result of this strategy, BU NGM has almost 2.8 million clients in Asia of which some 40,000 make use of our Van Gogh Preferred Banking services. Our credit card offering, with some 2.4 million cards in force, is well established in India, UAE and Taiwan and has received a positive response in Hong Kong, Indonesia, Pakistan and Singapore.

Our Belgium-based International Diamond & Jewellery Group, with local units in several countries, is a leading and successful financier of the diamond and jewellery trade, with more than 2,000 client relationships worldwide. This group reports under BU Private Clients as from 1 January 2006.

Results in 2005

As from 1 January 2005, the interest of 60% in the Stater mortgage administration business, which was previously reported under BU NGM, was transferred to BU NL. In 2004, the impact was EUR 74 million on operating income and EUR 72 million on operating expenses.

Profit for the year increased significantly by 53.2% to EUR 213 million with a very strong contribution from Asia due to the continued success of the credit card business and the Van Gogh Preferred Banking activities.

Operating income increased by 26.5% to EUR 707 million, despite the transfer of Stater to BU NL. Adjusted for the transfer, the increase was 45.8%, largely due to continued strong growth in Asia. Income from the activities in Asia increased by 41.0% due to the success of the credit card business and the Van Gogh Preferred Banking activities. The number of credit cards in Asia increased by 48% to 2.4 million and the number of customers in Asia increased by 36% to 2.8 million. The contribution from our participation in Saudi Hollandi Bank increased by 63.6%, reflecting a strong market position in a booming economy.

Net interest income was the main driver of the increase in operating income. Net interest income increased by 53.2% to EUR 363 million, reflecting the increase in credit card lending, consumer finance, savings accounts and a year-to-date reclassification from commission income to net interest income in the second quarter of 2005.

Operating expenses increased by 6.6% to EUR 369 million. Adjusted for Stater, operating expenses increased by 34.7% due to continued investments in the various businesses in Asia, such as the launch of new products, opening of new branches and intensive marketing campaigns. In 2005, 14 branches were opened, bringing the total in Asia to 67, of which 23 are located in India. The total number of FTEs in Asia increased by 35% to 5,224.

Provisioning increased from EUR 41 million to EUR 67 million, reflecting the growth in the loan portfolio and higher credit card outstandings.

Income from discontinued operations in 2004 relates to the contribution of Bank of Asia, the interest in which was sold in 2004.

Initiatives for 2006

As from 1 January 2006, the activities of BU NGM have been largely moved into BU Asia, and a small number transferred to BU Europe. Management will continue to pursue consumer banking opportunities in Asia, concentrating on organic expansion of our business in Hong Kong, India, Indonesia, Pakistan, Singapore, Taiwan, and the UAE. During 2006, new branches are planned in India and Pakistan to help us win new clients. We will also continue our sales drive in credit cards in Pakistan, Indonesia, Hong Kong and Singapore. Acquisitions may play a part in enabling us to achieve our ambition of becoming one of the leading consumer banks in Asia.

BU Bouwfonds

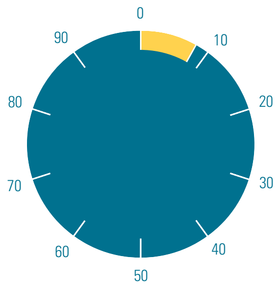
In 2005 BU Bouwfonds (Bouwfonds) consolidated its leadership in the Netherlands' commercial and residential real estate development markets, and continued its expansion in other European markets. A further increase in the number of homes sold both in the Netherlands and in France, continued growth in property finance and buoyant sales of new residential mortgages and refinancings, drove a strong rise in operating income and profit for the year. As from 1 January 2006, Bouwfonds' residential mortgages activities have been transferred to BU Netherlands (BU NL). As a result of further alignment with the mid-market strategy, ABN AMRO started the process of selling Bouwfonds in the first quarter of 2006.

Bouwfonds is the Netherlands' largest real estate project developer in terms of volume of homes sold. It is also a property financing company with international reach, and a major provider of residential mortgages.

Strategy, products and services

Bouwfonds' strategy is to remain the leading real estate developer in the Netherlands' residential and commercial property markets, and to expand selectively in residential and commercial property development elsewhere in Europe. A cornerstone of Bouwfonds' strategy is its ability to leverage its real estate expertise in its property financing activities, the growth of which should be supported by further international expansion in Europe and North America. The company intends to exploit the same real estate expertise to grow its real estate-related asset management products and services for private and institutional investors, both in the Netherlands and other markets.

Bouwfonds' primary real estate development activity is developing owner-occupied homes, in which it is the Netherlands' market leader with sales of over 8,300 homes in 2005. It also sold 2,700 homes in France and 600 in Germany. In the Netherlands, the focus of Bouwfonds' portfolio is gradually shifting from large-scale greenfield developments to inner city, mixed-use projects. Bouwfonds also has a leading position in the Netherlands in commercial real estate development. In late 2004 it strengthened its position in this market by acquiring the specialised commercial developer MAB, best known for mixed-use inner city projects and innovative retail concepts in the Netherlands and other European countries.



BU Bouwfonds

(as % of Group operating profit before tax)

Key figures BU Bouwfonds

(in millions of euros)	2005	2004
Net interest income	**513**	416
Net fee and commission income	**10**	18
Share of result in equity accounted investments	**17**	0
Other operating income	**331**	238
Operating income	**871**	672
Operating expenses	**381**	290
Operating result	**490**	382
Loan impairment and other credit risk provisions	**26**	9
Operating profit before tax	**464**	373
Income tax expense	**149**	107
Profit for the year	**315**	266
Total assets	**43,332**	38,251
Risk-weighted assets	**25,916**	22,753
Full-time equivalent staff	**2,010**	1,772
Number of branches and offices	**44**	34

In real estate financing, Bouwfonds provides finance to Dutch project developers both at home and abroad, and to property investors in the Netherlands. It also offers lease financing of corporate real estate in the Netherlands.

In asset management, Bouwfonds offers real estate-based investment products to institutional and private investors.

In residential mortgages, Bouwfonds distributes its products through independent intermediaries and under third-party labels via insurance companies and chains of intermediaries. Direct sales are restricted to the internet mortgage product, MoneYou. Dutch intermediaries consistently award Bouwfonds first or second prize as the best mortgage supplier. As from 1 January 2006, this activity has been transferred to BU NL.

Results in 2005

Profit for the year improved by 18.4% to EUR 315 million, reflecting an overall improvement in operational performance.

Operating income improved by 29.6% to EUR 871 million as Bouwfonds continued its strong performance, driven by good results in all its businesses. Net interest income increased by 23.3% to EUR 513 million, driven by further growth in its residential mortgage portfolio and property finance activities, as well as by an increase in mortgage prepayment penalties. Other operating income rose 39.1% to EUR 331 million, mainly reflecting higher income from residential property development and the acquisition of MAB. In the Netherlands, the market for residential property remained favourable due to the low interest-rate environment. As a result, the number of homes sold and under construction was higher, leading to improved results. This improvement was partly offset by lower income from commercial property development, reflecting the low level of new projects in the Dutch office market.

Operating expenses were up 31.4% to EUR 381 million, mainly due to higher staff costs related to the organic expansion of the business, as well as the acquisitions of MAB and the Staal Bankiers portfolio in the second half of 2004.

Provisioning rose by EUR 17 million to EUR 26 million as a result of provisions in the non-domestic mortgage portfolio.

Initiatives for 2006

As from 1 January 2006, Bouwfonds' activities are reported under BU NL. In 2006 several steps will be taken to grow Bouwfonds' international business in a number of European countries. In France, Bouwfonds intends to expand its real estate development business by opening new offices in several cities, and to start a French branch for its property financing activity. In other European countries, Bouwfonds will start residential projects in partnerships with local developers, and develop and finance commercial projects for Dutch and foreign clients. In asset management, it will continue to acquire a variety of portfolios for private and institutional clients.

Bouwfonds' residential mortgage business was transferred to BU NL in January 2006. Following this transfer, Bouwfonds is a European real estate developer, financier and asset manager with total assets of approximately EUR 13 billion and profit for the year of EUR 139 million as of year end 2005. As a result of further alignment with the mid-market strategy, ABN AMRO started the process of selling Bouwfonds in the first quarter of 2006.

Fore more information, please see the Annual Report of Bouwfonds or visit www.bouwfonds.com.

Bouwfonds partner in landmark transaction Vendex KBB stores

In December 2005 Bouwfonds acted as co-financier and – via its joint venture in IEF Capital – as co-arranger and co-structurer in the purchase of 73 department stores put up for sale by a consortium of venture capitalists. The portfolio consisted of 5 De Bijenkorf stores, 7 V&D stores and 61 Hema stores, representing a total of over six million square feet of retail space. The stores have now been leased back to Vendex KBB on long term leases, and the rental income will serve as the basis for inflation coverage offered to Dutch pension funds. Bouwfonds will continue to manage the portfolio. This sale and leaseback transaction was one of the biggest European property deals of the year, and Bouwfonds won the mandate against competition from more than 20 bidders, primarily from the Netherlands and the UK.

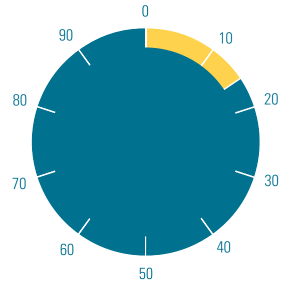
skipper

Wholesale Clients

Wholesale Clients (WCS), incorporating ABN AMRO's corporate and investment banking operations, performed well during 2005, growing both operating income and profit for the year. WCS served the needs of a select group of multinational clients requiring specialist sector knowledge and sophisticated products. As from 1 January 2006, the activities of WCS have been moved into new BUs.

Key figures Wholesale Clients

(in millions of euros)	**2005**	2004
Net interest income	**1,061**	1,599
Net fee and commission income	**1,718**	1,728
Net trading income	**2,363**	1,138
Results from financial transactions	**96**	41
Share of result in equity accounted investments	**2**	83
Other operating income	**101**	113
Operating income	**5,341**	4,702
Operating expenses	**4,699**	4,783
Operating result	**642**	(81)
Loan impairment and other credit risk provisions	**(241)**	(8)
Operating profit before tax	**883**	(73)
Income tax expense	**178**	(72)
Net operating profit	**705**	(1)
Discontinued operations (net)	**0**	1
Profit for the year	**705**	0
Total assets	**525,203**	428,214
Risk-weighted assets	**77,019**	72,777
Full-time equivalent staff	**16,488**	17,366
Number of branches and offices	**189**	190



Wholesale Clients

(as % of Group operating profit before tax)

The WCS product platform ranged from advisory, capital markets and financing to transaction banking, all with a global reach. The pooling of three elements – our understanding of our clients' objectives, our deep product expertise and the bank's global reach – differentiated us from our competitors. During 2005, WCS focused on improving the leverage of its extensive global footprint with operations in over 50 countries and large hubs in Amsterdam, Chicago, Hong Kong, London, New York, Singapore and Sydney.

ABN AMRO has entered two boats in the Volvo Ocean Race 2005-2006, forming one team in the biggest and most challenging round-the-world sailing competion. In November 2005 the race started in Vigo, Spain. After 30,000 nautical miles, the boats will end the last leg and finish the race in Gothenburg, Sweden in July 2006.

Strategy, products and services

WCS developed innovative products for sophisticated multinational clients which are also offered to the Group's target segment of mid-market clients and financial institutions. To achieve this, WCS worked closely with other parts of the Group, as evidenced for instance by an integrated distribution platform with the BU North America and the private investor products offered through the Consumer & Commercial Clients BUs.

WCS grouped its product delivery activities into Fixed Income, Futures and FX (FIFF), Commercial Banking and Equities & Investment Banking.

FIFF offered our clients integrated solutions to allow them to manage their risk exposures and optimise their portfolio returns. These product offerings were backed by strong research and a global presence, enabling WCS to target its clients in every continent. WCS's commitment to its clients was reflected in a large number of annual industry awards that recognised its leading-class capabilities in risk management and product innovation on behalf of our targeted mid-market clients and chosen multinationals.

WCS invested significantly in building up its derivatives business during 2005. We established a Structured Derivatives unit that focused on delivering a step change in revenues through the development of innovative structured products. Its product expertise spanned all derivatives asset classes from equities to FX and fixed income. Structured Derivatives continues to act as an incubator for new products that can be standardised into traded products to be sold through the global trading platform. This knowledge transfer model – innovative products for sophisticated clients leading to new products for mid-market clients and financial institutions – is fully aligned with the Group strategy.

Commercial Banking included traditional debt financing, conduit, cash management and trade financing services. These products focus on the core needs of our mid-market client set. Working capital solutions involving conduit securitisations of receivables and transaction banking products are important foundations for many of our client relationships. In 2005 ABN AMRO was awarded "Best Online Trade Finance Bank" for the fourth year running by Trade Finance Magazine and the "Trade Finance Lead Technology Award" by Euromoney, confirming our market leading trade finance service to clients.

Equities & Investment Banking included cash Equities, Equity Derivatives, Equity Capital Markets (our joint venture with Rothschild was ranked first for pan-European primary access in 2005 by Extel), Fixed Income Capital Markets, and Mergers & Acquisitions (M&A).

In Equities, we remain one of the leading houses in Europe including the United Kingdom where we also offer corporate broking through our subsidiary Hoare Govett, the Netherlands, and the Nordic region, with a growing presence in our other chosen markets. In 2005 Extel ranked WCS third in pan-European equity and equity-linked sales, and third in pan-European Equity market strategy.

WCS's client coverage has also been aligned with the current Group strategy. The Global Clients client coverage function focused on a select group of multinational clients requiring specialist sector knowledge and sophisticated products.

Results in 2005

WCS's profit for the year increased by 160.1% to EUR 705 million in 2005, adjusted for the restructuring charge related to WCS and Group Shared Services in 2004 (EUR 381 million in operating expenses, EUR 271 million in net operating profit). The following figures have been adjusted for this charge.

Operating income increased by 13.6% to EUR 5,341 million, largely driven by strong revenue growth in FIFF, notably in structured derivatives.

Underlying operating income in Commercial Banking (adjusted for the sale of the professional brokerage and domestic custody businesses in 2004) increased due to growth in transaction banking and loan portfolio revenues. The growth in loan portfolio income was, however, partly offset by declining margins in North America and Asia.

FIFF operating income rose mainly due to growth in structured derivative product revenues. The Derivatives Step Change programme, introduced at the start of the year, resulted in revenue growth of over 150%.

Equities & Investment Banking operating income also increased. Equity brokerage revenues were stable, with higher volumes being offset by lower margins. However, the implementation of an integrated cash and derivatives product and sales platform resulted in an increase in Equity revenues. Revenues from M&A and Fixed Income Capital Markets increased in the second half on the back of a strong pipeline built up during the year.

The revenue items net interest income, net trading income and results from financial transactions should be viewed jointly, as income in the UK has been reclassified between these revenue lines.

Operating expenses increased by 6.7% to EUR 4,699 million, primarily driven by higher bonus accruals and indirect costs, on the back of higher IT expenses driven by several large projects including Basel II and Compliance.

Provisioning declined by EUR 233 million to a net release of EUR 241 million driven by substantial releases in the telecom and energy portfolios.

Risk-weighted assets (RWA) increased by EUR 4.2 billion between 31 December 2004 and 31 December 2005 as the foreign currency impact of EUR 6.4 billion more than offset the decline in RWA.

Largest Equity Capital Markets deal in Asia

Two Korean technology and telecom deals in the summer of 2005, involving equity issues worth a combined USD 3.2 billion, catapulted ABN AMRO into the top tier of the Korean capital markets rankings and reinforced the bank's position as a leading player in Asia.

Taken together, the LG.Philips LCD and SK Telecom deals, which were led by ABN AMRO Rothschild, represented more than 50% of total transaction volume in the Korean equity capital markets in the year to July 2005. The LG.Philips LCD transaction – a USD 2.2 billion follow-on offering of American Depositary Receipts (ADRs) and ordinary shares – was by far the largest Equity Capital Markets (ECM) deal ABN AMRO Rothschild had ever completed in Asia. Within two weeks of completing it, ABN AMRO Rothschild acted as joint global coordinator and joint bookrunner on a USD 1 billion offering of SK Telecom ADRs, the largest ECM telecom transaction in Asia (ex-Japan) in 2005, and the fourth largest Korean deal since 2001.

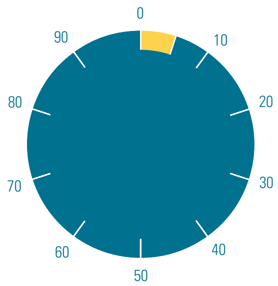
The deals demonstrated the power of ABN AMRO's global network, which enables the bank to compete with rivals in both the Asian and US markets. Competition from the US was fierce as both transactions involved issues of ADRs, but the bank performed very strongly, attracting huge investor demand in both transactions.

Initiatives for 2006

Following the alignment of the Group's structure with its mid-market strategy as from 1 January 2006, the activities of WCS have been moved into new BUs. The Global Clients client coverage function, M&A and Equity Capital Markets activities now form BU Global Clients. The Commercial Banking client coverage function has moved to the regional BUs to improve ABN AMRO's mid-market coverage. By opening up WCS to the Group we believe we are better equipped to service the Group's commercial clients and service them in a more efficient way. The new BU Global Markets serves as a product platform, developing and delivering products for all ABN AMRO clients.

Strategic initiatives started in 2005 will be carried forward by the new BUs into 2006 to continue building profitability.

BU Private Equity invests in unlisted companies, both on ABN AMRO's own account and for third-party investors. In the past three years, the BU has changed its investment focus from taking minority shareholdings in small to medium-sized early and later stage companies, to obtaining full control of mature mid-sized companies. This refocusing saw BU Private Equity's investment portfolio in European and Australian mid-sized buy-outs rise by around 30% during 2005, while its investments under management in early-stage Dutch companies remained flat.



BU Private Equity

(as % of Group operating profit before tax)

BU Private Equity

Key figures BU Private Equity

(in millions of euros)	**2005**	2004
Net interest income	**5**	(32)
Net fee and commission income	**0**	8
Net trading income	**7**	4
Results from financial transactions	**431**	660
Other operating income	**7**	(24)
Operating income	**450**	616
Operating expenses	**130**	115
Operating result	**320**	501
Loan impairment and other credit risk provisions	**34**	16
Operating profit before tax	**286**	485
Income tax expense	**(45)**	22
Profit for the year	**331**	463
Total assets	**7,293**	4,770
Risk-weighted assets	**3,028**	1,988
Full-time equivalent staff	**109**	115
Number of branches and offices	**9**	9

The business model of BU Private Equity involves buying equity stakes in unlisted companies over which it can establish influence or control, and then managing these shareholdings for a number of years with a view to selling them at a profit. BU Private Equity runs two separate lines of business – Buy-Out Investments and Corporate Investments.

Strategy, products and services

In the past three years, BU Private Equity has developed and implemented major improvements to its business and operational model. It has changed its investment focus from taking minority shareholdings in small to medium-sized early and later stage companies, to obtaining full control of mature mid-sized companies.

At the same time, the BU has substantially reduced its geographical footprint by closing its operations in East Asia, the US, Latin America and several East European countries.

This refocusing resulted in the BU's headcount falling by 55% in the past three years and investments becoming concentrated in the Netherlands, UK, France, the Nordic countries, Italy, Spain and Australia/New Zealand. Also, its average new investment size is now substantially larger, and its number of investments under management is continuing to reduce. The growth in the Buy-Out Investments portfolio is fully funded from capital released and gains realised from ongoing exits in the Corporate Investment portfolio.

The Buy-Out Investment business manages controlling interests held by ABN AMRO and third-party investors in mid-sized European and Australian buy-outs. The Corporate Investment business manages a portfolio of mostly non-controlling shareholdings in small to medium-sized Dutch companies, and in venture capital and early stage companies in the life sciences, information technology and media/telecom sectors.

As of 31 December 2005, the total investment portfolio under management by BU Private Equity was valued at EUR 2.7 billion. Of this amount, EUR 2.5 billion was capital invested by ABN AMRO, while the remainder consisted of investments by third parties.

Results in 2005

During 2005, the value of the Buy-Out Investments portfolio at fair market value increased from EUR 1.3 billion to EUR 1.7 billion, reflecting its aim of achieving a significant increase in Buy-Out Investments' portfolio under management over the next few years. While the number of Corporate Investments decreased, the fair market value remained stable at EUR 0.6 billion, due to favourable share price developments in Corporate Investments' listed portfolio.

Profit for the year decreased by 28.5% to EUR 331 million.

Operating income decreased by 26.9% to EUR 450 million, driven primarily by a normal level of exits from portfolio companies.

Operating expenses increased by 13.0% to EUR 130 million.

Provisioning increased from EUR 16 million to EUR 34 million due to a provision taken in the UK portfolio.

Income tax expense decreased by EUR 67 million due to a tax release.

Initiatives for 2006

Given the focus on majority shareholdings in mid-sized companies, the Buy-Out business of BU Private Equity is to be reorganised as a semi-independent subsidiary of the bank, with greater independence in its operations and decision-making. Consequently AA Capital Holding B.V. has been established to hold the shares in the operational subsidiaries and branches of the Buy-Out business in seven countries.

Because we now obtain shareholder control in our portfolio companies, we have more influence over their value-enhancing strategies and initiatives. The BU is currently taking steps to improve its investment managers' ability to identify and initiate such strategies and initiatives at the portfolio company level.

Shareholder control also enables us to obtain more detailed information on portfolio companies' financial and operational performance. To help us capture and report such data, and to improve our in-house portfolio administration, accounting and reporting functions, the BU is currently replacing several existing stand-alone systems with a fully-integrated web-based system.

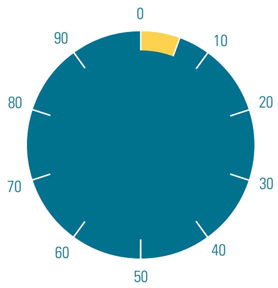
Value Creation in Private Equity

In April 2002 ABN AMRO invested EUR 14.4 million in Puzzler Media, a leading UK publisher of puzzle magazines with a 50% share of the market. We saw the opportunity to invest in an excellent niche business that had strong brands and an experienced management team but also needed a supportive partner to move to the next stage of its development.

Puzzler Media has been transformed over the past three years into the world's largest puzzle content provider with annual sales of GBP 17 million, publishing more than 40 titles. Under our ownership the company successfully invested in new media opportunities with significant growth prospects, launched in the Australian market and took full advantage of the popularity of SUDOKU puzzles, which have taken the world by storm. Puzzler launched its own "Sudoku" magazine and is able to offer the puzzles for syndication through its exclusive publishing and syndication deal with Nikoli, the creators of the puzzle.

In 2005 we initiated a competitive auction to realise our investment in Puzzler and this culminated in a sale to John Leng & Co, a subsidiary of the publishing group DCThomson. We completed the deal in December 2005, generating a total gain of EUR 54.75 million – representing an overall money multiple of 4.8 times the cost of our investment and an internal rate of return of 58%.

BU Private Clients (BU PC) is one of the top ten private banks worldwide and the fifth biggest in Europe in terms of assets under administration. It targets the offering of private banking services to wealthy individuals and families with investable assets of EUR 1 million or more. During 2005 BU PC continued to build its network and improve its performance through a combination of organic growth and targeted acquisitions, including the purchase of Bank Corluy in Belgium. The year saw BU PC achieve an excellent financial performance, with higher operating income and profit for the year, and a healthy rise in assets under administration.



BU Private Clients

(as % of Group operating profit before tax)

BU Private Clients

Key figures BU Private Clients

(in millions of euros)	**2005**	2004
Net interest income	**480**	416
Net fee and commission income	**594**	544
Net trading income	**42**	45
Results from financial transactions	**8**	1
Share of result in equity accounted investments	**1**	14
Other operating income	**100**	59
Operating income	**1,225**	1,079
Operating expenses	**891**	844
Operating result	**334**	235
Loan impairment and other credit risk provisions	**6**	0
Operating profit before tax	**328**	235
Income tax expense	**73**	66
Profit for the year	**255**	169
Total assets	**16,973**	15,355
Risk-weighted assets	**7,231**	6,816
Full-time equivalent staff	**4,009**	3,960
Number of branches and offices	**84**	82

BU PC targets the offering of private banking services to wealthy individuals and families with investable assets of EUR 1 million or more. We are one of the top ten private banks worldwide and the fifth biggest in Europe in terms of assets under administration (AuA), with year-end AuA in 2005 of EUR 131 billion, up from EUR 115 billion in 2004.

In the past few years, we have built up our onshore private banking network in continental Europe through strong organic growth in the Netherlands and France, and through the acquisitions of Delbrück Bethmann Maffei in Germany and Bank Corluy in Belgium, strengthening our leading positions in these countries. These acquisitions will be followed up by organic growth, driven by additional ongoing investment in front-office activities.

To build on our leadership position in France, BU PC is in the process of creating Banque de Neuflize OBC through a merger of Banque de Neuflize and Banque OBC. The merged business encompasses a new service proposition, more efficient and higher quality support functions, and a commercial banking business aimed at family-owned businesses as a feeder channel for private clients.

Our operations in Latin America and the Middle East will benefit from increased investment in people and products to take advantage of these regions' strong growth prospects. This will be supplemented by investment in our Swiss operations to cater to the needs of Latin American and Middle Eastern clients booked in Switzerland, as well as clients from other regions.

Strategy, products and services

Client satisfaction is key to our success, and our clients vary greatly in their needs. Consequently, we have built a segmented private banking offering based on well-defined services tailored specifically to the requirements of our client segments and their sources of wealth. The scope and depth of our services vary in line with the size and complexity of the individual client's needs. Among other elements, our offerings include comprehensive tailor-made services at the top end and a relationship manager-based advisory model.

BU PC's products are based on an open architecture model, under which clients are offered the best available products regardless of provider.

In Asia, BU PC continued its organic growth strategy with ambitious AuA growth targets for the coming four-year period. These targets will be achieved primarily by augmenting the workforce and exploiting our product potential in the region.

Our European private banking strategy is differentiated by our ability to nourish local brands while giving them the support of a strong international institution. We seek to maintain clients' strong confidence in their local brands while capitalising on the resources and solidity of the Group as a whole.

BU PC has achieved impressive results from the Client Engagement Model and best practices that we first implemented in the Netherlands, and that we are now transferring to other markets. The model aims to align clients' various business partners within ABN AMRO, and between our internal processes and the individual client and/or client group's requirements.

Results in 2005

BU PC's profit for the year increased by 20.5% to EUR 247 million in 2005, supported by a very strong performance in the Netherlands and improved performance in Germany. This result has been adjusted for the sale of Nachenius, Tjeenk & Co. in 2005 (EUR 38 million in operating income and profit for the year), a charge related to the merger of Banque Neuflize and OBC in France in 2005 (EUR 45 million in operating expenses, EUR 30 million in profit for the year) and a restructuring charge related to Group Shared Services in 2004 (EUR 56 million in operating expenses, EUR 36 million in profit for the year).

The acquisition and integration of Bank Corluy

In March 2005 ABN AMRO announced the acquisition of Bank Corluy. The rationale for this acquisition included the strong fit of Bank Corluy's clients with our 'sweet spot' in the mid-market client segment, our product capabilities and our strengthening position in the Belgian private banking arena.

The integration process is now well under way and will allow us to achieve economies of scale through the use of a common IT platform. It will also enable us to accelerate the growth of the business by exploiting the combined product palette and Corluy brand name, thereby capitalising on local familiarity supplemented by the sense of strength communicated by the ABN AMRO shield.

We are drawing on our previous experiences in Germany to ensure a successful integration. With this in mind, we have created twelve teams consisting of people from both banks to assess the different areas considered vital to the integration. The teams are responsible for assessing the current situation and coming up with recommendations to the management. This teamwork is supported by proactive, two-way communication with the whole organisation to ensure the support of all involved parties.

Employees' enthusiastic response to initiatives such as these has been reflected in a high level of staff retention and widespread commitment to helping make the integration process a success. Clients have also reacted positively, a fact reflected by a continuing inflow of money, low attrition rates and healthy attendance at various client events.

The figures below have been adjusted for these events.

Mainly due to a very strong performance in the Netherlands and a significantly improved performance in Germany, operating income increased by 13.5% to EUR 1,225 million. When adjusted for the one-off gain on the sale of Nachenius, Tjeenk & Co., operating income increased by 10.0%.

Operating expenses increased by 7.4% to EUR 846 million, partly due to higher costs in the Netherlands. Expenses in Germany showed a decrease, reflecting cost synergies from the successful integration of Delbrück Bethmann Maffei.

Assets under Administration increased from EUR 115 billion at the end of December 2004 to EUR 131 billion at the end of December 2005, reflecting an increase in net new assets and higher net asset values due to improved financial markets. The asset mix changed slightly to 70% in securities (from 67% at the end of 2004) and 30% in cash (from 33% at the end of 2004).

Initiatives for 2006

In BU PC, Europe and Asia are at the heart of our growth strategy, and client engagement will continue to be key to our future growth. In 2006 we will build on this basic approach by stepping up our use of our Client Engagement Model, further strengthening our sales force and enhancing the key drivers of employee engagement. We will also launch a drive to exploit synergies with other BUs across ABN AMRO in areas such as client migration between different ABN AMRO products and services, product development and distribution, and possibly through highly-targeted acquisitions in important European markets. In cooperation with BU Latin America, we will continue to grow our Private Clients Brazil activities and client base.

BU Asset Management

BU Asset Management (BU AM), ABN AMRO's global asset management business, has continued to strengthen its position in its target markets and client groups through clear client focus and rising efficiency. Operating income rose because of a mix of market and currency factors and sales efforts. This higher operating income, combined with continued control of costs, resulted in a significant improvement in both operating result and the efficiency ratio during the year. An increased focus on those markets with the greatest potential drove a number of strategic divestments and acquisitions, positioning the business for future growth. Continuing investment to extend BU AM's leadership in Socially Responsible Investment was a further feature of the year.

Key figures BU Asset Management

(in millions of euros)	**2005**	2004
Net interest income	**6**	4
Net fee and commission income	**596**	535
Net trading income	**14**	9
Results from financial transactions	**55**	10
Share of result in equity accounted investments	**18**	2
Other operating income	**23**	34
Operating income	**712**	594
Operating expenses	**501**	443
Operating result	**211**	151
Income tax expense	**40**	46
Profit for the year	**171**	105
Total assets	**1,199**	954
Risk-weighted assets	**823**	1,182
Full-time equivalent staff	**1,655**	1,919
Number of branches and offices	**33**	31

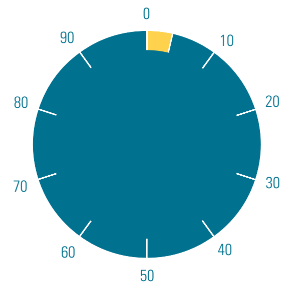
BU AM is ABN AMRO's global asset management business and manages EUR 176.2 billion in specialist mandates and mutual funds. BU AM operates in more than 20 countries across Europe, the Americas, Asia and Australia. The global portfolio management centres are concentrated in six locations worldwide – Amsterdam, Atlanta, Chicago, Hong Kong, London and Singapore. BU AM offers investment products in all major regions and asset classes, using mainly an active investment style. The investment philosophy is characterised by an internationally coordinated investment process and well-monitored risk management.

BU AM'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 via third-party distributors such as banks and insurance companies. The institutional client business represents just over half of the assets BU AM manages. Retail and third party client accounts for a further 30%, and the remainder is in discretionary portfolios that are managed for BU Private Clients.

Strategy, products and services

During 2005 we streamlined our product development processes and invested in improving our client research. We remain fully committed to putting client focus at the heart of every decision we make. In order to achieve greater efficiency, we have also combined many of our product capabilities into single offerings in Luxembourg.

We focus our regional offerings on specific territories and limit our presence to those markets where we have meaningful market share and competitive advantage. As a result of this tighter geographical focus, we sold our 401k business (pensions activities) in the



BU Asset Management

(as % of Group operating profit before tax)

United States at the end of 2004, and our Kazakhstan operation in 2005. We also completed the sale of ABN AMRO Trust and Management Service Companies. The sale of the bank and asset management activities in Curaçao to FirstCarribean Bank was completed at the end of January 2006.

Artemis Investment Management Ltd., our UK-based specialist in active investment products for retail investors and institutional portfolios, has shown a good performance over recent years. Given this positive trajectory and future outlook, BU AM took the opportunity to further increase its majority shareholding in Artemis Investment Management Ltd. from 58% to 71%, in line with the agreements at the time of the original acquisition.

During the year, we also introduced a new concept for Socially Responsible Investment (SRI). We are already the market leader in SRI in Brazil and Sweden, and will now roll out our successful concept further throughout Europe.

Innovative offering addresses rising demand

BU AM has been capitalising on the growing demand for structured products in several areas of the market. Both in Europe and North America, life-insurance companies are responding to the ageing of the population by supplying solutions geared to these new demographics. Such solutions include BU AM's unique lifecycle products, which are innovatively structured to offer maturity dates as far off as 2054. In the institutional segment, we are also rolling out new liability-driven structured investment solutions in a number of markets. These solutions, which perfectly fit the shift from schemes based on defined benefits to those based on defined contributions, are designed to offer clients protection against interest-rate movements. At the same time, our ability to provide liability-driven investment solutions is winning advisory mandates from large pension funds. Hedging interest-rate risk is a relatively new area for pension funds, and BU AM provides numerous solutions to help them comply with new regulations requiring measurement of liabilities on a mark-to-market basis.

Results in 2005

BU AM's profit for the year in 2005 grew by 74.7% to EUR 145 million, adjusted for the sale of the Trust business (EUR 17 million in operating income and profit for the year) and of the operation in Kazakhstan (EUR 13 million in operating income, EUR 9 million in profit for the year) in 2005, as well as the sale of the Czech Pension Funds (EUR 12 million in operating income and profit for the year) and of the 401k business in the US (EUR 16 million in operating income, EUR 10 million in profit for the year) in 2004. The following figures have been adjusted for these events.

Operating income increased by 20.5% to EUR 682 million. The growth in net fee and commission income is related to the improved asset mix of high-performance products and to higher fee levels on existing products. Assets under Management (AuM) also increased due to improved performance of mandates and funds and improved capital markets conditions in 2005. Results from financial transactions increased due to positive returns on seed capital. Other operating income increased in line with divestments arising from the strict focus on the core business.

Overall, this result reflects BU AM's high-performance focus, the profitable growth in asset management products, and the way in which products have been tailored closely to client requirements. AM's client-driven approach and its expertise in developing alternative asset products have enabled it to grow in this attractive segment by targeting more attractive, better priced products, rather than concentrating principally on AuM.

Operating expenses increased by 13.1% to EUR 501 million, mainly driven by higher performance-related remuneration, professional fees related to divestment processes, an increase in commercial activities and an incidental impairment charge taken for software and commercial contracts.

The tax rate decreased due to the high level of tax-exempt gains.

Initiatives for 2006

We will remain committed to our private, retail and institutional clients, and will continue to operate on a global basis while delivering a high quality of service to clients via our local operations. In expanding our business we remain focused primarily on organic growth, although we will consider bolt-on acquisitions where appropriate.

In 2006 we will continue to build our position in selected markets to capitalise on our global presence. This involves focusing our resources on markets that have the potential to make a meaningful contribution to the solid growth of our business, such as the United States, the Netherlands, Brazil, Germany, the United Kingdom, Greater China (the People's Republic of China, Hong Kong and Taiwan), France and India. In Italy we will continue to work on the integration of Banca Antonveneta.

On the SRI front, we plan to launch several new sustainability funds over the next two years, not only in the current key sustainable investment markets of Sweden and Brazil, but also in France, Germany, the Netherlands and the United Kingdom. We will also focus more on our multi-manager capabilities and our structured products, many of which are perceived as being technologically advanced.

Our product strategy will remain focused around meeting specific client needs and providing innovative solutions. We remain committed to the investment styles that reflect the capabilities currently embedded in our business, but will continue to add other styles where they will enable us to meet more fully the requirements of various types of clients.


dialogue

Transaction Banking

Transaction Banking is a global payments products and services business, servicing all ABN AMRO's client segments in every region. Transaction Banking is employing the experience gained in its established markets to build scale in key developing and growth markets. It is achieving growing success among mid-market commercial clients and in providing outsourced trade, cash management and payment services to other banks.

Transaction Banking is a global ABN AMRO product business unit, formed in 2005, incorporating cash management, trade services and cards for all of the bank's client segments, across all regions.
The business had an excellent year in 2005, achieving significant growth in all client groups, with particularly strong momentum in the consumer segment in Brazil and other growth markets. Transaction Banking results are reported in the different BUs described in the previous section.

Strategy, products and services

We provide services in almost 60 countries and handle billions of transactions a year. Our business is well diversified, servicing mid-market and global companies, financial institutions, consumers and private clients, with large client bases across all these segments. We offer our products through all the countries in the ABN AMRO network. Within each of the major categories of cash management, trade and cards we have a broad array of products, many of which are tailored to local requirements.

Our core payments products are used in domestic markets by commercial and consumer clients. We have substantial local transaction banking activities in the Netherlands, Brazil and the US. Our acquisition of Banca Antonveneta in Italy provides us with a second major base in Europe, including a large domestic transaction banking presence. We are using experience gained in these markets to build domestic scale in key growth markets such as India, Turkey and Greater China (the People's Republic of China, Hong Kong and Taiwan). These high-growth markets offer excellent opportunities to provide payment transactions for their increasingly affluent consumers. Our knowledge of developed markets enables us to tackle some of the inefficiencies of domestic payment systems and assist both local companies and foreign subsidiaries operating in these increasingly sophisticated countries.

We believe in building an open and inclusive dialogue with all our stakeholders on the issues and challenges ahead. This creates opportunities to come up with new and better solutions, and create better mutual understanding.

Innovation is a principal driver of success in transaction banking. With this in mind, ABN AMRO's enterprise-wide approach is designed to facilitate sharing of knowledge and best practices, both across different client segments and between countries. A recent example of this transfer of ideas involves the global internet banking platform, Access Online. This portal was first developed for the multinational market, but has now been redesigned for mid-market clients. It provides direct online access to a suite of banking products that help to improve the efficiency of a company's working capital. Technological innovation is critical in transaction banking and our online delivery channels continued to win awards during 2005, with, for example, our trade portal recognised for innovative supply chain solutions and our US cash management portal gaining industry accolades.

The financial services industry is highly regulated – and transaction banking is no exception, with new regulatory requirements demanding continual investment in processes and technology. These new regulatory requirements can also offer opportunities for

Making more possible every day

Transaction banking products and solutions provide entry points for clients into the bank and involve an ongoing – often daily – relationship with ABN AMRO. This means Transaction Banking is providing core banking or 'anchor' products that are critical to the bank's efforts to cross-sell additional products and services. So it is particularly important that our sales and distribution processes, fulfilment and implementation, daily transactions and ongoing customer service all meet or exceed client expectations, every day, in every one of our operating centres. Our many external awards reflect our leading market positions and our clients' view that ABN AMRO's transaction banking products are delivering on this promise.

Transaction Banking. The Single Euro Payments Area (SEPA), for example, is a European Union initiative to create a 'domestic' payments market across the 12-nation eurozone. The introduction of SEPA by 2008 creates the potential for ABN AMRO to generate new revenues by offering payments products across the eurozone and attracting processing volume from other banks. Many regional and local institutions find the costs of increasing regulation and the changing demands of commercial and consumer clients too high, and see a partnership approach to transaction banking as the only viable option. As a result, we have been successful with outsourced trade solutions for partner banks in North America, Asia and Europe, and this remains a key strategic initiative. The newer market of outsourced cash management and payment services is also gaining momentum, spurred on by the advent of SEPA.

Initiatives for 2006

Transaction banking involves people, processes and technology, and our partner banks value our expertise. ABN AMRO is one of the top global players in this market, having the necessary scale, network and track record of innovation. We predict strong growth in outsourced solutions for financial institutions in 2006 and beyond, and during 2005 we invested in senior advisers and product managers to build our impetus and expand the range of solutions we can offer.

A key initiative for 2006 is to leverage the ABN AMRO network to capture a larger share of cross-border payment flows, which are forecast to continue to increase in the next decade. We already work with our global clients to help them manage the flow of funds and goods as they extend their businesses worldwide, and we have developed a wide range of award-winning products to meet their needs. Now our strategic focus is increasingly turning to the commercial segment. As well as serving the domestic cash management requirements of companies in this segment, we are also using our cross-border products to help them expand successfully into international markets.

Group Shared Services

Group Shared Services (GSS) oversees and develops internal support services across ABN AMRO worldwide. GSS's initiatives contribute to the bank's growth in its target areas. Its portfolio of ongoing initiatives include the GSS IT programme, which in 2005 involved the creation of new service agreements and a New Technology Organisation, optimising the Group-wide property portfolio, helping the BUs identify and exploit opportunities to cut costs and improve services through offshoring, and improving procurement. As from 1 January 2006, GSS has been included in the Services organisation of ABN AMRO, which encompasses all the bank's service units.

GSS – which became part of Services at the start of 2006 – manages the delivery of internal support services across the BUs within ABN AMRO globally. Its portfolio of initiatives includes IT, Real Estate and Facilities Management and Offshoring. Efficiency improvements resulting from GSS-led programmes will realise net annual savings for the Group of at least EUR 600 million for 2007 and EUR 750 million from 2008 onwards.

Strategy, products and services

During 2005, GSS made good progress in developing and executing the bank's shared services agenda. Initiatives launched by GSS will provide ABN AMRO with 'fuel for growth' by managing and improving long-term cost and service levels. Short-term cost cutting is not the aim. Instead, GSS focuses on improving service quality, increasing efficiency, optimising operational risk and increasing agility.

Portfolio of Initiatives

GSS is implementing a portfolio of initiatives designed to enhance external and internal client satisfaction and performance across the BUs. This portfolio includes the following:

Creating a New Technology Organisation

The GSS IT programme aims to optimise the provision of Group-wide technology services. It involves in-house consolidation, partial outsourcing and multi-vendor offshoring. The programme is supported by a New Technology Organisation designed to facilitate best practice and agility.

In 2005, GSS signed global service agreements valued at approximately EUR 1.8 billion over a five-year period with five vendors. These agreements include IT infrastructure (provided by IBM) and application support and enhancements (provided by Infosys and Tata Consultancy Services (TCS)). Five preferred suppliers were also appointed for application development: Accenture, IBM, Infosys, Patni and TCS. All these agreements utilise the best available technology and build on the experience gained to date.

The global service agreements for infrastructure have come into effect in ten countries, including the Netherlands, United States and Brazil. Transition to other countries and transformation of infrastructure services will follow over a 24-month period.

Other IT initiatives during the year focused on enhancing telecommunications and market data services. GSS signed a contract with KPN Telecom for global managed mobile services in 17 countries. Also, a five-year contract spanning an initial 25 countries was signed with Avaya, utilising internet technology to standardise fixed telephony services.

Optimising the Property Portfolio

Group Real Estate & Facilities Management (GREFM) identifies, co-ordinates and implements best practice across the ABN AMRO-occupied property portfolio. GREFM improves BU property performance through approaches including workspace efficiency initiatives, disposing of surplus space and improving facilities management.

Several surplus space and space efficiency programmes have been implemented in collaboration with the BUs. In addition GSS has completed the sale and leaseback transaction of the building in London at 250 Bishopsgate.

External Awards for GSS

- ABN AMRO received the "Best Initiative Award" for Shared Services from Chief Financial Officer (CFO) Magazine, the leading Dutch financial magazine, in May 2005. The GSS initiative was praised for the 'courage' it shows and the 'inspiration' that it should represent for the whole financial services industry
- GSS Operations won the Risk Waters Best Back Office Operational Risk Reduction Programme Award in 2005 for the second year running. The award recognises the contributions that individuals and firms make to the development of operational risk discipline within the financial services industry
- At the seventh annual FSmetrics Awards, GSS Operations – Securities won awards for Best Broker Dealer Overall Operational Performance in Fixed Income and Best Broker Dealer Confirmation Performance. The awards were based on a vote by a selection of the largest institutional investors, including some of our key clients, and were judged against ABN AMRO's Tier 1 and 2 peer group.

Sustainability programmes have been introduced with the aim of reducing energy consumption and CO_2 emissions.

Building on our Offshoring expertise

GSS made significant progress in offshoring in 2005. All offshoring programmes are on track and several new pilot programmes are underway. Feedback from the BUs shows that ABN AMRO Central Enterprise Services (ACES) has successfully improved quality, service levels and productivity. ACES adds agility to the bank's operations through its flexible and rapidly expanding workforce in India, now 3,000 FTEs strong. ACES took steps to enhance its internal operating model and support continued growth. It is certified under ISO 9001 and the British Standards 7799 on Information Security, and runs extensive quality programmes which help to drive continuous improvement in service levels.

Implementing better Procurement capabilities

To ensure the bank is receiving value for money, Global Procurement applies a structured review to money spent with third parties. A number of best practice procurement solutions have been implemented, including a global system for managing sourcing and contracting in the major markets, and resourcing desks to control spend on third party resources.

Initiatives for 2006

As from 1 January 2006, GSS has been included in the Services organisation of ABN AMRO, which encompasses all the bank's service units.

A key focus will be working towards delivering a single, integrated operations platform for the bank. This will build on the experience and success of the European Payments Centre in 2005.

Other planned initiatives for 2006 include:

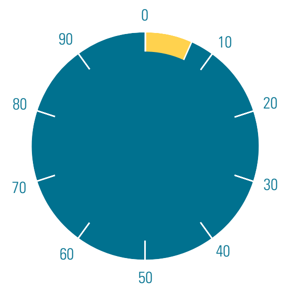
- the New Technology organisation will focus on transforming technology services across the bank
- GREFM will continue to achieve cost reductions through space efficiency, surplus space elimination and facilities management programmes
- the Offshoring Centre of Expertise, in conjunction with ACES, will continue planned activities and pilot programmes and look for new opportunities throughout the bank
- Procurement will further develop its sourcing expertise with third party suppliers to help develop detailed and efficient spending plans for all areas within the bank.

Group Functions

Group Functions (GF) provides guidance and support on corporate strategy, undertaking three key roles – overseeing corporate governance, helping the Managing Board put the bank's strategy into effect, and facilitating cross-BU synergies. It also oversees a wide variety of Group-wide activities, ranging from corporate development to audit, and from risk management to EU affairs. Areas that GF will focus on in 2006 include compliance with Sarbanes-Oxley Section 404 and Basel II, and implementing a standardised methodology for risk assessment in the Compliance function.

Key figures Group Functions

(in millions of euros)	**2005**	2004
Net interest income	**(305)**	(3)
Net fee and commission income	**(28)**	1
Net trading income	**(32)**	(36)
Results from financial transactions	**607**	472
Share of result in equity accounted investments	**114**	20
Other operating income	**23**	6
Operating income	**379**	460
Operating expenses	**(95)**	263
Operating result	**474**	197
Loan impairment and other credit risk provisions	**95**	23
Operating profit before tax	**379**	174
Income tax expense	**(50)**	25
Net operating profit	**429**	149
Discontinued operations (net)	**0**	1,207
Profit for the year	**429**	1,356
Total assets	**70,095**	60,637
Risk-weighted assets	**8,612**	3,084
Full-time equivalent staff	**6,020**	3,867



Group Functions

(as % of Group operating profit before tax)

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

Strategy, products and services

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

This translates into three roles:

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

services in defined business areas for the Group, in close cooperation with the BUs.

In 2005, the activities listed below have been grouped into Group Functions. Following this reorganisation, GF is now being managed in a more integrated way across the different businesses of the Group, and its links to the business are being strengthened progressively through a greater focus on internal client satisfaction.

GF carries out the following activities:

- *Group Compliance:* manages regulatory affairs and the independent Compliance function across the bank
- *Group Legal:* sets policies for legal risk management, renders internal legal services, including litigation
- *Group Finance:* is responsible for supporting the decision-making of the Managing Board and the Resource Allocation and Performance Management Committee; sets and maintains accounting policies and standards; is responsible for the strategic, management, and financial control functions within ABN AMRO; is responsible for the coordination, policy setting and execution of capital management, asset and liability management and market, interest and liquidity management of the Group as well as economic research; monitors the overall financial position; prepares internal and external financial reporting
- *Group Audit:* assesses and advises on the adequacy of internal controls through independent audits
- *Corporate Development:* provides support to the Managing Board on the development of Group strategy, including identification, analysis and execution of mergers and acquisitions, as well as the composition of the portfolio of Group businesses from a strategic perspective
- *Group Communications:* manages corporate communications, press relations and sponsorships, and the ABN AMRO brand
- *Investor Relations:* provides our window to the investment community; ensures transparent communication to investors and serves as their point of contact; increases internal awareness of our investors' perception and valuation of the Group's strategy, activities and results
- *Group Risk Management:* the Group-wide risk organisation is built on two pillars: an empowered Risk function in the regions, in combination with a strong central Group Risk Management function focusing on policy, portfolio management, and risk appetite. This structure is supported by Group-wide risk monitoring, control and reporting functions
- *Group Human Resources:* advises the Managing Board on people aspects of the strategy; advises on and supports corporate policy in executive development and leadership development; and develops frameworks and guidelines on important HR areas for global use by all BUs, including a bank-wide centralised HR framework
- *European Union Affairs & Market Infrastructures:* represents ABN AMRO's interests through the EU and The Hague Liaison Offices, and links market infrastructures developments in the payments and securities industry with the internal strategy development.

In addition, GF oversees the financial performance of our activities in other countries, including Capitalia (7.7% stake) and Banca Antonveneta (76.0% stake) in Italy, and Kereskedelmi és Hitelbank (40% stake) in Hungary. Our interest in Banca Antonveneta was increased in stages through successive share purchases from 12.7% at the beginning of 2005 to 55.8% as at 2 January 2006 and 76.0% as at 16 March 2006. As from 1 January 2006, the results of Banca Antonveneta will be reported under BU Europe.

Results in 2005

GF's results include those of Group Shared Services. GF's net operating profit of EUR 149 million in 2004 was strongly impacted by the buy-off of compensation of staff for the termination of profit-sharing agreements in the Netherlands (EUR 177 million in operating expenses and EUR 117 million in profit for the year), as agreed in the new collective labour agreement. Adjusted for this charge, the net operating profit increased by 61.3% to EUR 429 million in 2005. The figures below have been adjusted for this charge.

Operating income decreased by 17.6% to EUR 379 million, mainly due to lower US dollar profit hedge results (booked in net interest income) and a provision for balance sheet adjustments, offsetting higher results from our stakes in Italy.

Operating expenses decreased by EUR 181 million, mainly due to the release of the post-retirement healthcare benefit provision (EUR 392 million gross, EUR 268 million net), more than offsetting the cost of the US regulatory fine (EUR 67 million gross, EUR 67 million net) and a provision for compensation for holidays not taken by staff (EUR 56 million gross, EUR 40 million net).

Provisioning increased by EUR 72 million, due mainly to the incurred but not identified (IBNI) loan loss provision.

Income tax expense declined substantially in 2005, due mainly to releases of tax provisions in the fourth quarter.

Income from discontinued operations in 2004 represented the net profit of LeasePlan Corporation, which we sold in 2004.

Initiatives for 2006

The strategic agenda for 2006 aims to capitalise on the initiatives started in 2005:

- ensuring regulatory compliance with the Sarbanes-Oxley Act, section 404, following the postponement by the Securities and Exchange Commission in 2005 of the effective date to 31 December 2006
- continuing the preparations for the reporting and risk management implications of the Basel II requirements
- implementation in certain significant ABN AMRO countries of the Management Information System infrastructure we have developed
- further development and implementation of standardised risk assessment methodology, systems and quality control procedures within the Compliance function.

Our goal in Human Resources (HR) is to engage and motivate all our people to play an active role in achieving our objectives. For the first time this year we measured staff engagement across all our BUs worldwide, creating the basis for several initiatives. Additional actions included the roll-out of an expanded Leadership Review to build and widen our leadership skills, compliance-related performance objectives for top executives, mid-year reviews within our People & Organisational (P&O) Capability Reviews, and voluntary integrity screening. Several major HR issues were successfully addressed during the year, including a further upgrade to our people's learning opportunities and the outsourcing of IT service delivery in ten countries, with nearly 2,000 employees transferring to suppliers.

Human Resources

For us to realise our strategy, all our clients must receive excellent service from highly-motivated and engaged staff. To achieve these goals, we need to maintain high standards in recruiting, developing and retaining talent. 'Engaged' staff means more than 'satisfied' staff, since it signifies that they are committed to playing an active role in achieving our objectives and building our future with us.

In 2005, for the first time, we measured the engagement of our staff across the globe in all business units. In each of the previous two years we had surveyed parts of the bank, with our 2004 Employee Engagement Survey covering about 26,000 employees and achieving a 66% response rate. In 2005 we sent out questionnaires to 97,000 employees, and achieved an excellent global response rate of 75% – a reflection of the commitment our people feel. Their responses enable us to measure the engagement of all staff and compare different geographies and BUs. Compared to the rest of the financial services sector we do better than our peers in nearly all categories, and we also pass the test when compared to the norm for High Performance companies across all industries. Looking at our previous surveys, it is clear that we have improved in many fields.

The 2005 survey indicated that our staff really value leadership. This is already a high-priority topic, and will continue to be. In 2004 we launched a Leadership Review of our top executives to develop their leadership effectiveness still further. This process creates opportunities to improve our top people's leadership skills, enabling them to engage their staff more fully. The 2004 launch focused on our top 150 executives, and in 2005 it was rolled out to the next layer and to people identified as potential future top executives. This initiative will be opened up to other senior staff as well in 2006.

All participants in the Leadership Review agree specific development objectives to improve their leadership effectiveness. To help them set these objectives we offer them a three-day leadership workshop, 'Leading Through Others'. In 2006 all our top executives will again participate in the Leadership Review, in which their leadership effectiveness will be measured and tracked, and new objectives identified.

For our middle management layers the existing leadership programmes were intensified in 2005, and this will continue in 2006. These programmes are designed to address the different leadership issues people encounter during the various phases of their management careers.

Aimed at identified high performers with high potential, our talent management programmes stimulate an integrated approach across our BUs and help our succession planning, supporting a broad diversity of career tracks. People are supported to steer their career either towards a generic managerial track and then leadership and strategic responsibilities, or alternatively up a path towards specialisation. We provide coaching programmes and mentoring to help them make the right choices. At the same time, separate mentoring and other initiatives have further raised the awareness of diversity and inclusion issues. This increased focus led to the launch of global and local initiatives, including global conferences for women in senior leadership positions and training programmes on inter-cultural awareness and leadership & diversity.

In 2005 HR developed a new global strategy and moved forward to contribute greater synergy and added value to the business. Important features during the year included making knowledge more accessible via e-learning and communities of practice, attaining a higher level of professionalism in our graduate programmes, and achieving a strong pay-off from the coaching conducted by our (senior) management.

As mentioned elsewhere in this report, it is very important for us to have high awareness of compliance issues across the bank. All top executives have agreed a compliance-related performance objective for the current year, alongside their personal and leadership development, staff development and business objectives. During 2005, our current top executives also volunteered to participate in Integrity Sensitive Position (ISP) screening – something which has been compulsory for all newly-appointed top executives since July 2004, under rules introduced by the Nederlandsche Bank.

To enhance our Performance Management processes, we added an additional mid-year review to our P&O Capability Reviews. This will help our BUs measure their mid-year results and, where necessary, adjust their annual plans to achieve their objectives. The P&O Capability Reviews enable a dialogue between each BU and the Managing Board to identify the right combination of skills, knowledge, behaviour and values (including compliance) to meet its performance objectives.

HR has actively supported and enabled recruitment and selection of many new employees, as well as overseeing international reward issues, performance management, training and development, and talent management processes. At the same time it has been instrumental in major change processes, such as the outsourcing of IT Service Delivery that was successfully finalised in ten countries in November 2005. This enabled nearly 2,000 employees to continue their professional careers by transferring to suppliers. The benefits of the outsourcing include enabling the bank to concentrate on its core business and revitalising our IT service delivery, while also harnessing existing talent and skills. The quality, timeliness and consistent effectiveness of IT service delivery are managed by the New Technology Organisation, a department that liaises closely with our external service providers.

affiliations

Risk management

Managing our risk / reward profile effectively is one of our core competencies. We have dedicated professional risk management functions that operate independently of the commercial lines of our business, providing broad oversight across all activities and markets. Our risk management policies and activities are designed to identify and analyse risks as early as possible, so we can learn and evolve continuously in a volatile and rapidly-changing business environment in order to optimise risk-adjusted return. One of the core responsibilities of the Group Asset and Liability Committee (Group ALCO) is to manage the sensitivity of the bank's net interest revenue to changes in market interest rates. The net interest revenue is the bank's most important source of revenue.

Please note that various disclosures included in the risk management section of previous Annual Reports are included in the financial statements under note 38 'Financial risk management and use of derivatives' starting on page 170.

Framework

We consider a comprehensive risk management framework to be one of our core competencies, and approach risk in a prudent way aligned with our long-term strategy. We put this approach into effect through professional risk functions that are independent from the commercial lines of our business. Our risk framework combines centralised policy-setting with broad oversight, supported by decentralised risk execution and risk monitoring.

Our risk management processes are designed to identify and analyse risks at an early stage, to set and monitor prudent limits, and to help us face a volatile and rapidly changing business environment. Each of the bank's departments must analyse the risks involved in the transactions it originates, verifying that these risks are compatible with their assigned limits, and ensuring that they are properly managed.

Organisational structure

Our Managing Board establishes our strategic risk philosophy and policies under the oversight of the Supervisory Board, whose duties include regular monitoring of risks in the bank's portfolio. Responsibility for the overall implementation of the risk policy lies with the Chief Risk Officer (CRO) and Chief Financial Officer, both of whom are members of the Managing Board.

Risks are 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, operational and reputational risk
- GALM is responsible for protecting our earnings and capital position against adverse interest rate and currency movements in the non-trading portfolios, for liquidity management, and for managing our (longer-term) debt issuance profile.

Group Risk Management

The Group Risk Committee (GRC), whose voting members are drawn from GRM and the business, is the most senior committee on policy and exposure approval for credit, country and market risk. In general, policy and credit portfolio issues are handled in Group Risk Committee meetings dedicated to policy. The most senior committee handling operational risk is the Group Operational Risk Management Committee.

The risk organisations of the regional BUs have a local focus and are overseen by GRM. Regional chief risk officers have dual reporting lines into the BU Head and the Head of GRM. Market risk and operational risk are separate functions within GRM. The chart over the page shows the overall structure of our risk management organisation.

Group Asset and Liability Management

In order to manage our balance sheet effectively, we have established an Asset and

By understanding our clients' needs and dreams and ensuring their expectations are exceeded by the solutions the bank delivers, we build lasting relationships. Relationships for this generation and those to come.

Supervisory Board
- Oversee risk management
- Regularly monitor risk of bank portfolio

Managing Board
Establish strategic risk philosophy, policies and risk appetite

Chief Risk Officer

Group Risk Management
- Credit risk
- Market risk
- Operational risk
- Country risk
- Reputational risk

Group Risk Committee

- Determine the risk policies, procedures and methodologies for measuring and monitoring risk, including reputational risk issues
- Set delegated authorities for lower committees and authorised individuals, within Group Risk Management, Regional BUs, Global Clients, Private Clients and Asset Management
- Approve credit, market and operational risk associated with new products
- Approve risk on transactions whose value exceeds the authority delegated to lower committees
- Approve structured finance, complex products and tax related transactions
- Conduct a quarterly review of the adequacy of provisions on the credit portfolio
- Oversee our overall credit portfolio and risk profile

Risk Management Functions within Group Risk Management and the Business Units

- Oversee all credit, market and regulatory matters and ensure compliance with local laws
- Approve risk transactions with delegated authority and advise on credits which exceed such limits
- Support the bank's trading operations by monitoring and ensuring effective market risk exposure management
- Implement, review and control policies on all risk portfolios
- Manage individual problem credits and monitor the distressed assets portfolio within our risk parameters
- Set provisions for loan losses within delegated authority
- Approve consumer product and small and medium enterprise lending programmes within delegated authority
- Establish and maintain operational risk control discipline
- Ensure compliance with our Corporate Values and Business Principles

Chief Financial Officer

Group Asset and Liability Management
- Interest rate risk
- Currency risk
- Liquidity risk
- Capital management

Group Asset and Liability Committee

- Supervise all Business Units' Assets and Liability Committees
- Set the overall risk limit per Business Unit and per currency for interest rate (earnings at risk & market value) and liquidity risk
- Set overall Value-at-Risk limits for market risk, the allocation of which is the responsibility of the Group Risk Committee
- Manage the consolidated liquidity and interest rate position of the bank
- Manage our capital structure
- Set standards and policy for transfer pricing and inter Business Unit transactions
- Manage the corporate investment portfolio
- Hedge invested capital and profits in foreign currency throughout the bank
- Maintain of own credit curve via strategic debt issuance

Risk Management Functions within Group Asset and Liability Management and the Business Units

- Approve interest rate limits under the overall approval provided by Group ALCO
- Monitor utilisation against interest rate and liquidity limits
- Steer actions to manage the exposures of the balance sheet
- Review net interest income and forecasts
- Approve key policies including transfer pricing
- Track funding mix and other key liquidity ratios
- Approve of new products

Liability Committee (ALCO). Its structure mirrors that of our organisation, with Group ALCO and ALCOs at the level of the BUs to manage the Asset and Liability Management processes in their specific areas of interest. The members of Group ALCO are drawn from the business, as well as from the Finance and Risk functions.

GALM focuses on increasing capital velocity throughout the Group, reducing capital costs, monitoring and improving the liquidity of assets, and providing for the re-allocation of capital whenever this is required by strategic decisions.

Risk measurement

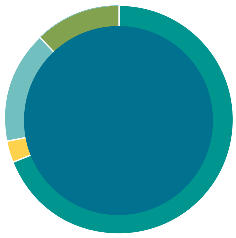
Economic Capital

ABN AMRO uses its internally-developed models to estimate economic capital as a uniform risk measure across the bank. Economic capital models are primarily designed to provide a warning system for severe risks that are outside the risks that are statistically expected to occur in the bank's ordinary business. Economic capital is an estimate of the amount of capital that the bank should possess in order to be able to sustain larger than expected losses with a certain level of certainty. As with any other statistical methodology, economic capital provides an estimate for management and its primary advantage is to signal risk over time and help management follow trends. Like all estimations and statistical methods, economic capital has its limitations. In anticipation of the implementation of Basel II (see "Item 4. Information on the Company – B. Business Overview – Supervision and Regulation – New Capital Adequacy Framework (Basel II)"), we are in the process of refining and further developing our economic capital methodology. As a result, investors should be aware that our economic capital may change both due to changes in the underlying risks and due to improvements in our methodology for measuring risks.

We also use economic capital for internal capital allocation decisions, to support risk/reward decisions at various levels within the organisation and for performance management. We estimate economic capital for each of the primary risks underlying our business: credit risk (including country risk and private equity), market risk (including interest rate risk), operational risk and business risk. We are active in many locations worldwide and are involved in many different business activities. This diversification, as well as the diversification between different risk types, is taken into account in calculating economic capital.

The contribution of each risk type to ABN AMRO's total economic capital is shown in the graph below.

Contribution of each risk type to economic capital (total EUR 16 billion)

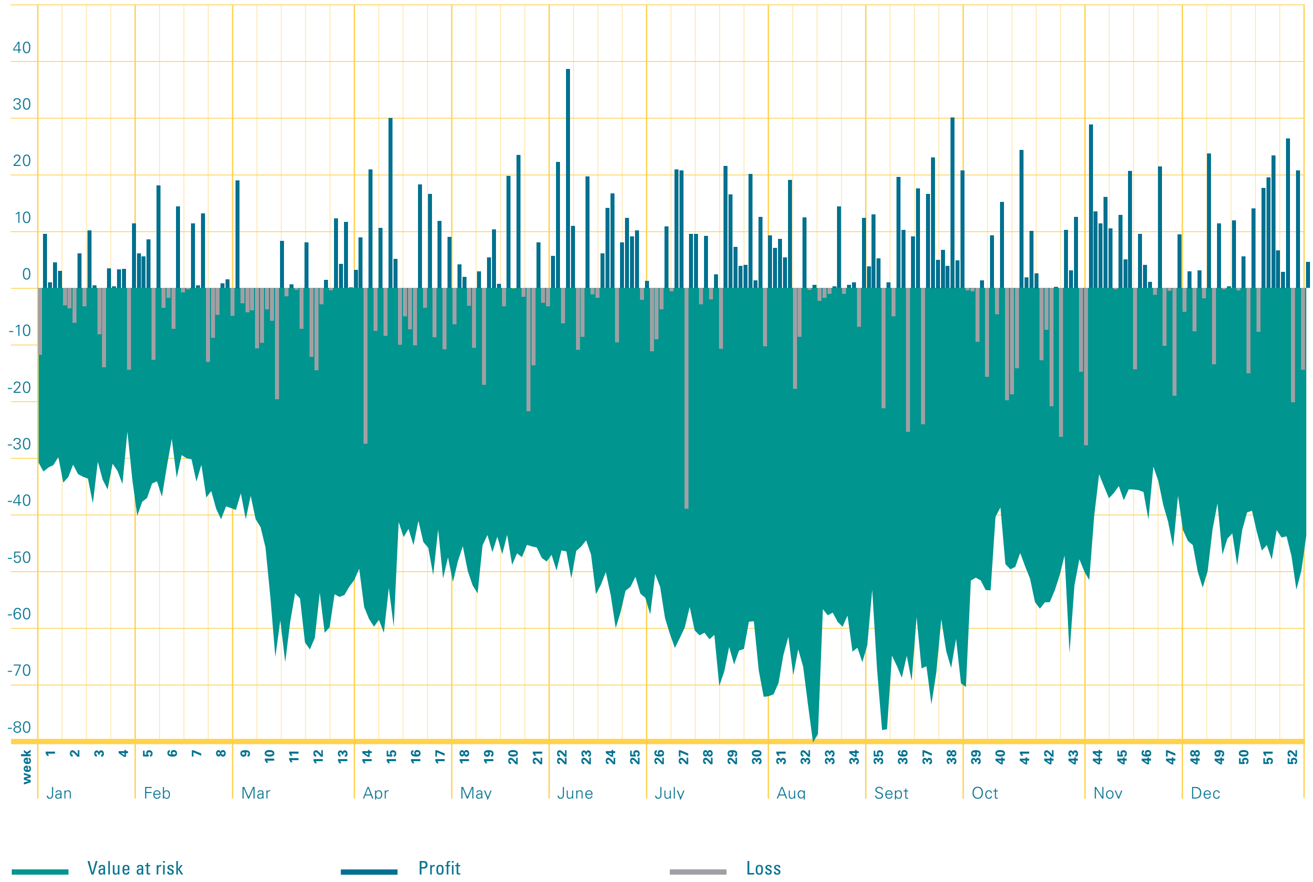


- Credit risk including country risk: 69%
- Market and interest rate risk: 3%
- Operational risk: 16%
- Business risk: 12%

Economic capital for market risk and interest rate risk is volatile when compared to economic capital for other risk types. At the end of 2005, economic capital for market and interest rate risk was relatively low.

A comparison of ABN AMRO's economic capital with that of other firms is unlikely to be meaningful, because a wide variety of definitions, model coverage and underlying

Value-at-Risk versus hypothetical Profit & Loss for trading portfolios for 2005 **(in millions of euros)**



assumptions are used. In general, economic capital is designed to cover all major risks, but it should be noted that some risks are not quantifiable. Furthermore, perceptions of risk evolve over time.

Value-at-Risk

To manage market risk, we use Value-at-Risk (VaR) models and other control measures such as sensitivity stress tests and stress test scenarios. For further information see note 38 'Financial risk management and use of derivatives'.

The effectiveness of VaR can be assessed through a technique known as back-testing, which involves determining the number of days on which the losses were bigger than the estimated VaRs for those days. At a 99% confidence level, the statistical expectation is that on one out of every 100 trading days a loss exceeding the VaR for such a day occurs. The back-testing is performed both on the actual profit and loss (P&L) and on a hypothetical P&L, which measures a P&L net of commissions, origination fees and intra-day trading. The results of this back-testing on the actual and the hypothetical P&Ls are reported to the Nederlandsche Bank (DNB) on a quarterly basis. Back-testing is an essential instrument for the ex-post validation of our internal VaR model.

The back-testing result depicted in the graph above shows that the hypothetical financial result has not exceeded the calculated VaR during 2005. This is due to the conservative nature of our VaR relative to the hypothetical P&L.

Earnings-at-Risk

Earnings-at-risk is the sensitivity of earnings over a defined time horizon (e.g. 6, 12, or 24 months) under a number of predefined yield curve scenarios. Details in respect of earnings-at-risk have been included in note 38 'Financial risk management and use of derivatives'.

Credit risk

We define credit risk as the risk that a counterparty or an issuer may fail to fulfil its obligations to us, or that an issuer's credit quality may deteriorate. This covers actual payment defaults as well as losses in value resulting from an increased probability of payment default.

We use a number of statistical methods to measure, monitor and manage the bank's credit risk. ABN AMRO has developed a multi-factor risk-adjusted return on capital (RAROC) model to calculate economic capital for credit risk. For the economic capital calculations, country risk is included in credit risk. Furthermore, credit risk incorporates the risk of decreases in the value of the private equity portfolio.

We apply the following principles in managing our commercial and consumer credits:

- approval of credit risk exposure is independent of the business originators
- all commercial activities which commit us to engage in risk-sensitive transactions require prior approval by committees or authorised individuals (the 'four-eyes principle')
- our Managing Board delegates authority regarding credit risk management to GRM within Group Functions, and then further down to the BUs
- within their delegated authority levels, the BUs are responsible for managing all business activities
- credit and trading facilities, once granted are properly documented and monitored
- we apply 'Know Your Client' – ensuring familiarity with our clients' backgrounds with regard to the financing of their activities and transactions.

Management of commercial clients

Authorities for credit decisions involving commercial clients are based on two measures:

- Global One Obligor Exposure: a combination of all direct and contingent credit limits to a given relationship globally
- Uniform Counterparty Rating (UCR) and Loss Given Default (LGD) classifications (see below), both of which are also used as building blocks for economic capital calculations.

Credit Rating System, Uniform Counterparty Rating, Loss Given Default classification

We have an internal rating system which we apply globally for commercial credits. It consists of two types of ratings: a Uniform Counterparty Rating (UCR) and a Loss Given Default (LGD) Classification. The UCR reflects the estimated probability that the counterparty will default, while the LGD classification reflects the level of loss that the bank would expect to suffer on a facility if the counterparty were to default. Both ratings are key inputs for measuring and managing credit risk. The UCR and LGD classification are assigned by risk officers or risk committees working independently of the commercial departments.

The UCR scale is applied globally to all our non-retail exposure. The scale is comprised of fourteen non-default grades and three default grades. The non-default grades can be benchmarked to those of external ratings agencies. A number of rating tools have been developed to support our assignment and

Benchmark ratings of Rating Agencies

UCR	Description	S&P / Fitch	Moody's
1	Prime	AAA / AA–	Aaa / Aa3
2+	Very strong	A+	A1
2	Strong	A	A2
2–	Relatively strong	A–	A3
3+	Very acceptable	BBB+	Baa1
3	Acceptable	BBB	Baa2
3–	Relatively acceptable	BBB–	Baa3
4+	Very sufficient – watch	BB+	Ba1
4	Sufficient – watch	BB	Ba2
4–	Relatively sufficient – watch	BB–	Ba3
5+	Somewhat weak	B+	B1
5	Weak	B	B2
5–	Very weak – special attention	B–	B3
6+	Sub-standard– special attention	CCC+ / C	Caa1 / C
6	Default	n.a.	n.a.
7	Default – (partially) provisioned	n.a.	n.a.
8	Default – Stopped trading and/or in liquidation	n.a.	n.a.

review of UCRs. These rating tools quantify the relative impact of various risk factors and make rating decisions transparent. Rating tools are now available for all our major loan portfolios. We use rating tools tailored to specific markets to reflect the underlying risk drivers.

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

Management of programme lending

Our credit to consumers and standardised lending to certain small to medium-sized enterprises is managed as programme lending, which is approved under a product programme format and managed on a portfolio basis. To qualify for a programme lending approach, the BU prepares an application to offer a certain credit product. The application has to specify the target customers or customer segment and must contain standard risk acceptance criteria for evaluating individual transactions. The application must also demonstrate that the portfolio's performance will be predictable in terms of yield, delinquency and write-offs. Tracking and reporting mechanisms must be able to identify trends in the portfolio's performance early on, and to make timely adjustments where appropriate.

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 are based on objective eligibility criteria, other guidelines or credit scores. BUs use both internally-developed and vendor-supplied scorecards. Portfolio performance databases are maintained to

Breakdown of total loans and receivables customers by BU in 2005

(Billions of euros)	**Total 2005**	BU NL	BU NA	BU Brazil	Bouw-fonds	NGM	WCS	Other	Total 2004
Commercial	**150.3**	29.8	36.9	5.6	8.7	2.8	61.9	4.6	124.4
Consumer	**121.8**	59.5	15.1	6.7	30.9	3.9	1.8	3.9	106.5
Professional Securities	**74.7**		0.9				73.7	0.1	59.3
Public Sector	**7.5**	1.8	0.6	0.6	0.1		4.3	0.1	6.1
Multi seller conduits	**25.9**						25.9		23.7
Total	**380.2**	91.1	53.5	12.9	39.7	6.7	167.6	8.7	320.0

facilitate portfolio control, and detailed information is available at the level of the BUs to enable segmentation of portfolios. GRM keeps information at a product portfolio level to facilitate monitoring.

Loan portfolio and its composition

In 2005, Consumer & Commercial Clients (C&CC) continued to hold the majority (54%) of total loans outstanding, approximately EUR 204 billion. Wholesale Clients held 44% and the remaining 2% was held by BU Private Clients, BU Asset Management and other Group businesses. C&CC's predominance within ABN AMRO's total loans reflects the size of its operations in the bank's key markets of the Netherlands, the US Midwest and Brazil.

Consumer & Commercial Clients loan portfolio

BU Netherlands (BU NL) continues to make up the bank's largest asset base, accounting for 45% of total loans outstanding, followed by BU North America (BU NA) with 26%.

Commercial portfolios

C&CC's commercial portfolios, which consist of loans to corporate entities, accounted for 41% of total C&CC's loans in 2005. Key points include:

- The commercial portfolio of BU NL increased by EUR 3.9 billion (15%) over the year
- In North America, C&CC's commercial activities remain primarily in the US Midwest. The commercial loan portfolio grew with EUR 7.3 billion (25%). Commercial real estate and middle-market lending remain important activities for the bank
- BU Brazil's commercial portfolio saw strong growth of EUR 2.2 billion (64%) due to economic recovery
- The BU New Growth Markets (NGM) commercial loan portfolio increased by EUR 0.8 billion (40%)
- The commercial portfolio of Bouwfonds showed a growth of EUR 1.0 billion (13%).

Consumer portfolios

The consumer portfolio of C&CC, which consists of loans to private individuals, continued to make up a dominant part of the business in 2005, accounting for 57% of total loans. 80% of the consumer loans were covered by mortgages. Key points include:

- In BU NL, the portfolio grew by EUR 2.8 billion (5%)
- In BU NA, the consumer loan portfolio grew by EUR 5.4 billion (57%)
- BU Brazil's consumer portfolio consists mainly of car finance and personal loans. The loan portfolio grew by EUR 2.7 billion (68%)
- The BU NGM consumer portfolio increased by EUR 1.1 billion (39 %)
- The Bouwfonds consumer portfolio increased by EUR 3.6 billion (13%).

Wholesale Clients loan portfolio

The Wholesale Clients private sector loan portfolio increased by EUR 12.4 billion (25%). This portfolio focuses mainly on OECD countries.

Provisioning policies

ABN AMRO has developed specific provisioning policies in respect of the various loan classes of business in which the bank engages. These policies are kept under constant review and adjusted to reflect, among other things, the bank's actual loss experience, developments in credit risk modelling techniques and changes in legislation in the various jurisdictions in which the bank operates. We will now describe these policies in more detail for the different loan portfolios.

For all portfolios, the amount of the impairment loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including cash flows from foreclosures if the loan is collateralised, discounted at the original effective interest rate of the loan. If a group of loans is collectively evaluated for impairment, future cash flows are estimated on the basis of the contractual cash flows and historical experience for assets with similar credit characteristics.

Corporate and commercial loans

At least once a year, the bank's dedicated credit committees or its authorised individuals will review the status of its corporate and commercial clients to whom it grants credits. Additionally, the bank's credit officers continually monitor the quality of loans. Should the quality of a loan or the borrower's financial strength deteriorate to the extent that doubts arise over the borrower's ability to repay the loan, management of the relationship is transferred to the Financial Restructuring & Recovery (FR&R) units. After making an 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 Group Risk Committee 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 carried out on a portfolio basis. A specific provision for each product is determined by the portfolio's size and the bank's loss experience.

Mortgage servicing portfolio and mortgage repurchases in the US

To make full use of economies of scale, the bank originates mortgage loans through brokers, its branch network, a national call centre and the internet. The bank sells the majority of such loans to investors but retains servicing rights. Credit risk is transferred to the investors but if operational deficiencies occur such as documentation errors or title issues, investors require the bank to repurchase affected loans. The bank maintains an operational reserve to cover this risk.

Doubtful and non-performing loans

Loans are classified as doubtful (UCR 6, 7 and 8 for corporate loans) as soon as there is doubt about the borrower's lack of ability to meet its payment obligations to the bank in accordance with the original contractual terms. Where deemed necessary an allowance for loan losses (impairment loss) is determined on a per item or portfolio basis. Any loan that bears an impairment loss on principal or interest is defined as non-performing.

Non-performing loans

	2005	2004
Total non-performing loans (in millions of euros)	**4,736**	5,337
Non-performing loans to private sector loans (gross, in %)	**1.72**	2.28
Allowances for loan losses to private sector loans (gross, in %)	**1.09**	1.36

Specific provisioning by BU – net additions

(in millions of euros)	Total 2005	C&CC	WCS	Other	Total 2004
Provisioning	**648**	754	(241)	135	616
Specific provisioning to average RWA (bps)	**25**	46	(29)	91	26

The volume of non-performing loans decreased by EUR 601 million, reflecting the improved quality of the credit portfolio. The ratio of non-performing loans to private sector loans developed favourably. Finally the ratio of allowances for loan losses to private sector loans also changed slightly, reflecting the higher quality of the credit portfolio.

Provisioning for loan losses went up by EUR 32 million to EUR 648 million. In particular, WCS and the BU NA benefited from an improvement in the quality of the credit portfolio as well as from releases and recoveries.

Provisioning in C&CC increased by EUR 169 million (29%) due to increases in the BU NL and BU Brazil, partly offset by continuing low levels of provisioning in the BU NA. Provisioning by each BU in C&CC was as follows:

- BU NL: provisioning for loan losses increased by EUR 104 million to EUR 277 million, mainly in the SME and consumer loan portfolio. This was a reflection of the relatively weak economic environment in the Netherlands, growth in total loan volume and the change in business mix as a result of the higher than average growth in our consumer finance portfolio. Provisioning for the mortgage portfolio remained relatively stable
- BU NA: provisioning fell from EUR 143 million to EUR 21 million. This decrease was due to lower gross provisioning levels as well as recoveries, reflecting the high credit quality of the loan portfolio
- BU Brazil: provisioning increased by EUR 144 million to EUR 363 million. This increase reflected the strong growth in the retail loan portfolio and the appreciation of the Brazilian real
- BU NGM: provisioning increased by EUR 26 million to EUR 67 million, reflecting the growth in the loan portfolio and higher credit card outstandings
- Bouwfonds: provisioning went up by EUR 17 million to EUR 26 million as a result of the non-Dutch mortgage portfolio.

In WCS, provisioning declined by EUR 233 million to a net release of EUR 241 million driven by substantial releases in the telecom and energy sectors.

In BU Private Equity, provisioning increased from EUR 16 million to EUR 34 million due to a provision taken in the UK portfolio.

In Group Functions, provisioning increased by EUR 72 million, mainly due to the incurred but not identified (IBNI) loan loss allowance. The IBNI loan loss allowance is based on the quarterly review of the quantity and the composition of the Group's overall loan

Cross-border risk exposures

(in billions of euros for year ended 31 December)	Total cross-border exposure			Of which not mitigated [1]		
	2005	2004	2003	**2005**	2004	2003
Latin America	**8.8**	6.7	6.2	**5.0**	3.8	2.6
Asia	**12.7**	10.3	7.7	**10.0**	6.1	4.8
Eastern Europe	**7.5**	4.3	3.6	**6.9**	3.0	2.3
Middle East and Africa	**6.2**	5.2	3.1	**4.9**	3.6	2.2
Total	**35.2**	26.5	20.6	**26.8**	16.5	11.9

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

Sovereign risk exposures

(in billions of euros for year ended 31 December)	Total sovereign exposure			Of which foreign currency [1]		
	2005	2004	2003	**2005**	2004	2003
Latin America	**9.3**	6.3	6.6	**1.3**	0.8	0.7
Asia	**4.2**	3.4	3.7	**0.4**	0.4	0.3
Eastern Europe	**2.8**	1.9	1.7	**1.5**	0.5	0.4
Middle East and Africa	**1.4**	0.6	1.0	**0.7**	0.5	0.6
Total	**17.7**	12.2	13.0	**3.9**	2.2	2.0

1 *Part of which also booked under cross border limits.*

portfolio and the resulting incurred but not identified loss.

Country risk

As part of the overall mandate of GRM to address risk concentrations, we manage country risk in emerging markets on a portfolio basis. The clear identification, measurement and quantification of the country risk the bank takes are crucial for the continued deployment of capital into emerging markets in a sustainable and profitable way. The ultimate purpose of the country risk policy is to build a strong platform to allow for the effective management of country concentration risk.

The policy framework is evolving in line with the overall adaptation to Basel II, for which we are participating actively in the specific project on country risk policy, which is led by DNB. The main tools we currently utilise are country risk quantification, cross border limits and sovereign limits.

Country risk quantification

We currently utilise an internally-developed cross-border VaR model in order to quantify and manage the amount of cross border limits and exposure at portfolio, regional and country levels under parameters approved by the Managing Board. In line with the gradual adoption of a Basel II-compatible country risk policy, we are currently working towards full harmonisation and integration with the economic capital framework, and therefore expect a migration during 2006 from cross-border VaR to country event risk in our economic capital calculations.

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 the actions of the authorities in the country, or because the transfer is impeded by other events, such as civil war or embargo.

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 event. Our total cross-border risk exposure in 2005 rose by EUR 9 billion from 2004, primarily due to significant increases in Eastern Europe and the Middle East.

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 central governments, central banks or entities guaranteed by central governments or central banks (but excluding local governments).

Our sovereign risk exposure increased in 2005 mainly as a result of the appreciation of the Brazilian real and more intense usage of sovereign-related instruments in our trading and derivatives activities in Asia and Eastern Europe.

Operational risk

Framework and governance structure

Operational risk is the risk of losses resulting from inadequate or failed internal processes, human behaviour and systems or from external events. This risk includes operational risk events such as IT problems, shortcomings in the organisational structure, missing or inadequate internal controls, human errors, fraud, and external threats.

ABN AMRO has instituted a Group Operational Risk Policy and a Group Risk Framework, which between them outline tasks and responsibilities at each level of the organisation. The Group Operational Risk Management (ORM) Committee is responsible for establishing Group policies and standards on ORM and oversees the ORM activities throughout ABN AMRO, including preparations to qualify for Advanced Measurement Approaches (AMA) under Basel II. The Group ORM Committee is chaired by ABN AMRO's CRO, and is composed of the COOs and CROs of each BU and the senior managers from the relevant Group Functions.

The guiding principle in ORM is that management at all levels in the organisation 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

Line management needs information to enable it to identify and analyse operational risks, implement mitigating measures and 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 (RSA)
  A structured approach, which helps line management to identify and assess risks and take mitigating actions for risks which are identified as unacceptable. Risks are assessed with the assistance of facilitators, who are usually ORM staff
- Corporate Loss Database (CLD)
  A database that allows for the systematic registration of operational risk losses. It is mandatory for all BUs to report losses above the EUR 5,000 threshold into the CLD. This tool assists the senior management in their analysis of operational risks. The use of internal loss data is one of the qualifying criteria for AMA under Basel II, and will form the basis for calculating economic capital and regulatory capital in future
- External Loss Data
  ABN AMRO is a founding member of Operational Risk eXchange, an international data consortium set up in 2003. External loss data is used to perform benchmark analyses and, in the future, will also be

used to perform scenario and stress analyses

- Other Risk Approval Process
  A comprehensive approval process that 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 used to indicate possible changes in the operational risk profile. Key risk indicators allow for a trend analysis over time and trigger actions if required
- Key Operational Risk Control
  A framework that provides clear descriptions of the typical key risks and the required controls for a set of defined standard processes. These descriptions contribute to improved risk awareness and provide input for the RSA.

In 2001 ABN AMRO established an economic capital methodology for operational risk, based on a percentage of risk-weighted assets with a deduction for the proper implementation of operational risk programmes. In 2005 this was replaced by an economic capital methodology which is more closely aligned to the future AMA approach and relies to a significant extent on internal loss data.

Market risk

We define market risk as the risk that movements in financial market prices will change the value of the bank's trading portfolios. ABN AMRO is exposed to market risk through its trading activities, which are carried out both for customers and on a proprietary basis. For trading related to customer facilitation the bank warehouses market risks, while for proprietary trading the bank actively positions itself in the financial markets.

In any trading activity, risk arises both from open (unhedged) positions and from imperfect correlation between market positions that are intended to offset one another. Effective and efficient management and use of our exposure to market risk is essential, for both the competitiveness and profitability of the bank.

There are several major types of market risk including interest rate, foreign exchange, equity price, commodity price, credit spread, volatility risks and correlation risks. Each has identifiable risk factors and associated risk measures. So we quantify market risk exposure by identifying relevant risk factors and calculating appropriate risk measures. These measures are then used to set market risk limits, to run scenario and sensitivity analyses, as inputs to various risk measurement models (such as Value-at-Risk) and to calculate market risk economic capital.

Market Risk Management governance structure

The overall objective of the Market Risk Management (MRM) group is to avoid unexpected losses due to market risk and to optimise the use of market risk capital. MRM ensures that the authority delegated by the Group ALCO and GRC with regard to market risk resulting from the bank's trading activities is exercised effectively, and that exposures are efficiently monitored and managed. Furthermore, MRM limits and monitors the potential impact of specific pre-defined market movements on the profit and loss of trading positions. MRM also measures and reports market risk and interest rate risk of ALCO portfolios.

Interest rate risk (non-trading)

One of the core responsibilities of Group Asset and Liability Management is to manage the sensitivity of the bank's net interest revenue to changes in market interest rates. Group ALCO sets limits to ensure that the potential adverse impact of market movements on earnings is closely controlled. For interest rate risk of the banking book, refer to note 38 'Financial risk management and use of derivatives'.

Currency risk (non-trading)

Currency risk relates to the risk that our net investments in non-euro operations change in value through adverse effects of currency movements. Details in respect of managing of currency risk are included in note 38 'Financial risk management and use of derivatives'.

Liquidity risk

We define liquidity risk as the current or prospective risk to earnings and capital arising from a bank's inability to meet its liabilities when they become due without incurring unacceptable losses.

In 2005 ABN AMRO launched the first Dutch Covered Bond (CB) under its newly-established EUR 25 billion Covered Bond Programme. This programme helps the Group to manage more effectively its debt maturity profile, credit curve and long-term liquidity position, while also bringing greater diversification to its global investor base. In the absence of a specific covered bond act, the programme replicates the typical characteristics of CB issued under a legal framework. The CBs are issued by the Group and guaranteed by a special, bankruptcy remote entity, the Group Covered Bond Company (CBC). The Group assigns the collateral assets to the CBC. The pool is dynamic, consisting of euro-denominated Dutch prime residential mortgages. The structure is unique since it combines the robustness of Structured Covered Bonds (SCBs) and at the same time avoids complex cash flow mechanisms, making it more transparent for investors and less cumbersome for the issuer. It is also the first SCB programme that allows MTN issues.

As part of our liquidity management, we have securitised part of our Dutch home mortgage portfolio and retained most of the notes issued by the securitisation vehicles. As a result, the Group has transformed loans that are not eligible as collateral for the DNB, into eligible assets, resulting in a direct improvement of some EUR 8 billion to our liquidity. Unlike the US Federal Reserve Board, the DNB does not directly accept mortgages as collateral. The securitisation does not have an impact on our solvency or on the balance sheet presentation of the underlying securitised mortgages. If and when required, these notes can be sold in the market.

For further details on liquidity risk we refer to note 38 'Financial risk management and use of derivatives'.

In 2005, shareholders' equity was up by more than 48%, reflecting a range of factors including retained earnings and private placements. There were modest increases in minority interests and subordinated capital. ABN AMRO continued to meet comfortably the minimum regulatory requirements in terms of capital adequacy, and the total capital base rose by over 32% during the year.

Regulatory capital

Group capital at year-end 2005 was EUR 43.2 billion, an increase of EUR 10.0 billion or 30.0% compared with 2004.

Shareholders' equity

The EUR 7.4 billion or 50% increase in shareholders' equity was mainly due to retained earnings, private placements, exercise of staff options and share-based payments, offset by translation changes on treasury investments in operations abroad and the change in special components.

Of the 2005 net profit, EUR 2.3 billion was retained and added to reserves. A private placement in April equalled EUR 2.5 billion and a second one in June EUR 202 million. The exercise of staff options added EUR 34 million to equity. Share-based payments increased equity by EUR 87 million. Exchange rate differences increased reserves by EUR 1,080 million, of which EUR 659 million was caused by the appreciation of the Brazilian real. Special equity components relating to the investment portfolio decreased equity by EUR 405 million.

The number of ordinary shares outstanding rose by 208.7 million to 1,877.9 million, of which 61.6 million were related to stock dividends issued at an average price of EUR 18.97. The 2004 final dividend resulted in 66.3% of shareholders choosing the stock dividend, for which 32.3 million shares were issued at EUR 18.50 each. After the 2005 interim dividend was declared, 61.7% of shareholders chose stock dividend, leading to 29.2 million shares being issued at EUR 19.50 each. In April 135.0 million shares were issued at EUR 18.65 each, and in June 10.3 million additional shares were issued at EUR 19.66 each. Staff options exercised resulted in 1.9 million additional shares, issued from the repurchased shares at an average price of EUR 18.05.

Minority interests

A combination of factors caused a rise of EUR 194 million in minority interests during 2005. Cumulative exchange rate changes increased the total value of minority interests by EUR 133 million, of which EUR 68 million related to elements of tier 1 capital. In October redemption took place of USD 100 million preference shares ABN AMRO North America 1995-2005, of which USD 40.5 million had been repurchased earlier.

Subordinated liabilities

Subordinated capital rose by EUR 2.4 billion to EUR 19.1 billion. In 2005 issuances totalled EUR 2.8 billion, including EUR 1.5 billion lower tier-2 Floating Rate Notes due 2015; USD 1.5 billion lower tier-2 Floating Rate Notes due 2015, callable as of 2010; USD 136 million lower tier-2 Floating Rate Notes due 2015; EUR 70 million lower tier-2 Floating Rate Medium Term Notes due 2015; and EUR 15 million lower tier-2 Fixed Medium Term Notes 6% Notes due 2020. Redemptions totalled EUR 1.7 billion, including a call of EUR 500 million Floating Rate Notes 2000-2010, and partial redemption of USD 40 million of Non-Bullet Floating Rate Notes Sudameris 1999-2009 and USD 1 billion 7.25% notes 1995-2005. The effect of changes in foreign exchange rates increased total subordinated liabilities by EUR 1.2 billion. The lower volume of repurchased subordinated loans of EUR 132 million increased subordinated liabilities. Premiums and hedging increased the carrying value of subordinated loans by EUR 188 million.

Required capital and ratios

ABN AMRO applies capital adequacy ratios based on 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 the relative risk involved. 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 8%. ABN AMRO comfortably meets these minimum standards with a tier 1 ratio of 10.62%, of which the core tier 1 ratio is 8.47%, and with a BIS total capital ratio of 13.14%.

The total capital base went up by 32.2% to EUR 33.9 billion at 31 December 2005. Risk-weighted assets amounted to EUR 257.9 billion at 31 December 2005, an increase of EUR 26.2 billion from the end of the previous year. Securitisation programmes in 2005 increased by EUR 39.9 billion to a total of EUR 65.5 billion.

From 1 January 2008, compliance with the Basel II framework will become a requirement for financial institutions in the European Union (EU) adopting the advanced approaches. Despite a number of uncertainties surrounding the regulatory environment, we remain well on course to achieve 'advanced' status under the regulations by this deadline.

Basel II

On 26 June 2004 the Basel Committee on Banking Supervision endorsed the publication of the "International Convergence of Capital Measurement and Capital Standards: a Revised Framework", also named Basel II. The Capital Requirements Directive (CRD), representing the translation of Basel II to EU legislation, was approved by the European Parliament on 28 September 2005. The adoption of the CRD by the EU institutions in autumn 2005 means that the way is now clear, in the EU, for the implementation of the directive into national law, with a published compliance deadline of 1 January 2008 for banks adopting the most advanced approaches.

Basel II allows for several different approaches to implementation of the Basel II requirements for Credit, Market and Operational Risk, ranging from the simple 'standardised' approaches to more complex 'advanced' approaches. ABN AMRO aims to implement in principle the advanced approaches, for all risk types, at the earliest opportunity. In September 2005 the Dutch regulator, the DNB, announced a shift from the planned 'advanced' two-year parallel run start date, to a reduced one-year parallel run (originally planned to start on 1 January 2006, but now scheduled to commence on 1 January 2007). This shift in dates has had no impact on ABN AMRO's preparations to meet the compliance date of 1 January 2008.

The challenge of divergent compliance dates

The divergence in the implementation dates between ABN AMRO's home regulator, the Nederlandsche Bank, and its 'host' regulators, such as the US regulatory authorities, leads to a number of issues when implementing Basel II globally. Not only does this affect implementation costs, as banks with a global footprint such as ABN AMRO have to run parallel implementation streams to meet different timelines, but the delay also places additional workload on home and host supervisors. Furthermore, the divergence is not limited to implementation dates. Divergent interpretations of Basel II are a further factor adding to the uncertainty over how to ensure a level playing field in both the EU marketplace and non-EU jurisdictions.

The approval of the CRD in Europe is in contrast to the picture in the US, where the timeframe for acceptance of Basel II local stipulations remains unclear. The US regulators recently announced a further delay in the implementation timeline, and the published compliance date of 1 January 2009 in the US is now one year later than in Europe.

Despite a number of uncertainties that are still at play in the regulatory environment, ABN AMRO is very well positioned to meet its Basel II goals on time.

The Sarbanes-Oxley Act

Our listing on the New York Stock Exchange means we are required to comply with US regulations including the Sarbanes-Oxley Act. We fully honour both the spirit and the letter of this legislation, and we have strengthened our ability to comply by creating a Disclosure Committee which formalises the roles, tasks and disciplines that were already in place. Of the various Sections of this Act, Section 302 requires management to certify the disclosure controls and procedures and the internal financial controls. Section 404 of the Act requires management to report annually on the adequacy of the company's internal control over financial reporting.

ABN AMRO is a US Securities and Exchange Commission (SEC) registered company with a listing on the New York Stock Exchange (NYSE). This means we are subject to US securities laws, including the Sarbanes-Oxley Act of 2002 (SOXA) and certain corporate governance rules of the NYSE. The integrity of management, auditors and employees is at the heart of the Sarbanes-Oxley Act. The Act and the rules require listed companies to have an audit committee composed of independent directors. They also promote auditor independence by prohibiting auditors from providing certain non-audit services while conducting audits for the company. ABN AMRO's oversight and corporate governance practices fully honour the spirit and requirements of the reforms introduced by the various Sections of the Sarbanes-Oxley Act.

Following the introduction of the Sarbanes-Oxley Act, ABN AMRO has created a Disclosure Committee which formalises the roles, tasks and disciplines that were already in place for ensuring the accuracy and completeness of information disclosed to the market. The members of the Disclosure Committee include the Head of Group Financial Accounting (Chairman), the Head of Group Legal, the Head of Investor Relations, the Head of Group Audit, the Head of Group Risk Management and, as needed, persons from other parts of the company.

With regard to financial reporting we have to date complied with Sarbanes-Oxley Sections 302 and 906 which require, among other things, that:

1 The financial statements and other financial information included in the Form-20F present fairly in all material respects the financial condition, results of operations and cash flows of the company in compliance with the SEC rules
2 Responsibility exists towards establishing and maintaining disclosure controls and procedures, and that an evaluation of the effectiveness of these controls has been performed as of year end
3 Disclosure is made to the Group's auditors and Audit Committee, based upon an evaluation of the internal controls over financial reporting, about all significant deficiencies and material weaknesses in the design and operation and fraud involving management or other employees who have a significant role in the company's internal control over financial reporting.

Under Section 404 management must evaluate and report annually on the adequacy of the design and effectiveness of the company's internal control over financial reporting. This report will include:

- a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting
- a statement identifying the framework used by management to evaluate the effectiveness of the company's internal control over financial reporting
- management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of each financial year, including a statement as to whether or not internal control over financial reporting is effective
- a statement that the registered public accounting firm that audited the financial statements included in the annual report has issued an attestation report on management's assessment of the registrant's control over financial reporting.

As ABN AMRO is a foreign accelerated filer in combination with having a financial year ending on 31 December, we will for the first time provide this report with the Form - 20F over 2006. ABN AMRO established in 2003 a Group-wide SOXA Project governed by a single Steering Committee made up of senior managers from both the BUs and Group Functions.

ABN AMRO agrees with the SEC that the assessment of internal control over financial reporting will be more effective if it focuses on controls related to those processes and classes of transactions for financial statement accounts and disclosures that are most likely to have a material impact on the company's financial statements. While defining the accounts, disclosures, processes and controls in scope for Sarbanes-Oxley Section 404, a risk-based approach was taken into consideration.

In line with the recommendation of the Public Company Accounting Oversight Board, ABN AMRO has chosen the internal control framework of the Committee of Sponsoring Organizations of Treadway Commission (COSO) for evaluating the effectiveness of internal control over financial reporting. As from the beginning ABN AMRO has striven to obtain a good balance between all the five components of internal control as identified by the COSO.

On a quarterly basis, a report on the status of progress towards compliance with Sarbanes-Oxley Section 404 is provided to and discussed with the Audit Committee, and with the Chief Financial Officer and the Chairman of the Managing Board. Since the start of the project frequent dialogues have also been taking place with the company's auditor. The intention of the dialogue with the various parties is to monitor ABN AMRO's progress to compliance regarding the internal controls and the financial reports upon which investors rely.

Members of the Supervisory Board, Managing Board, BU Management Teams and other senior managers at ABN AMRO are actively involved and are dedicating the resources necessary to ensure compliance with the various Sarbanes-Oxley Sections.

shareholder information

ABN AMRO from 1997

	2005[8]	2005[8] (USD)[4]	2004[8]
Income statement *(in millions of euros)*			
Net interest income	**9,341**	**11,559**	8,879
Total non-interest income	**10,486**	**12,976**	8,251
Total operating income	**19,827**	**24,534**	17,130
Operating expenses	**13,517**	**16,726**	13,257
Provisioning	**648**	**802**	616
Operating profit before tax	**5,662**	**7,006**	3,257
Profit for the year (IFRS)	**4,443**	**5,498**	3,940
Net profit	**4,382**	**5,422**	3,865
Profit attributable to ordinary shareholders	**4,382**	**5,422**	3,865
Dividends	**2,050**	**2,537**	1,663
Balance sheet *(in billions)*			
Shareholders' equity 7	**22.2**	**26.3**	14.8
Group capital 7	**43.2**	**51.1**	33.2
Due to customers and issued debt securities	**487.7**	**577.2**	402.6
Loans and receivables - customers	**380.2**	**450.0**	320.0
Total assets	**880.8**	**1,042.4**	727.5
Credit related contingent liabilities and committed credit facilities	**187.0**	**221.3**	191.5
Risk-weighted assets	**257.9**	**305.2**	231.6
Ordinary share figures 1			
Number of shares outstanding (in millions)	**1,877.9**		1,669.2
Average number of shares outstanding (in millions)	**1,804.1**		1,657.6
Net earnings per share (in euros) 2, 5	**2.43**	**3.01**	2.33
Fully diluted net earnings per share (in euros) 2, 5	**2.42**	**2.99**	2.33
Dividend per share (in euros, rounded) 3	**1.10**	**1.34**	1.00
Payout ratio (dividend / net profit) 6	**45.3**		42.9
Net asset value per share (year-end, in euros) 3, 7	**11.83**	**14.00**	8.88
Ratios *(in %)*			
Return on equity 7	**23.5**		29.7
BIS tier 1 ratio	**10.62**		8.46
BIS total capital ratio	**13.14**		11.06
Efficiency ratio	**68.2**		77.4
Number of employees *(headcount)*			
Netherlands	**26,942**		28,751
Other countries	**71,138**		70,663
Number of branches and offices			
Netherlands	**655**		680
Other countries	**2,902**		2,818
Number of countries and territories where present	**58**		58

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.*
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.*

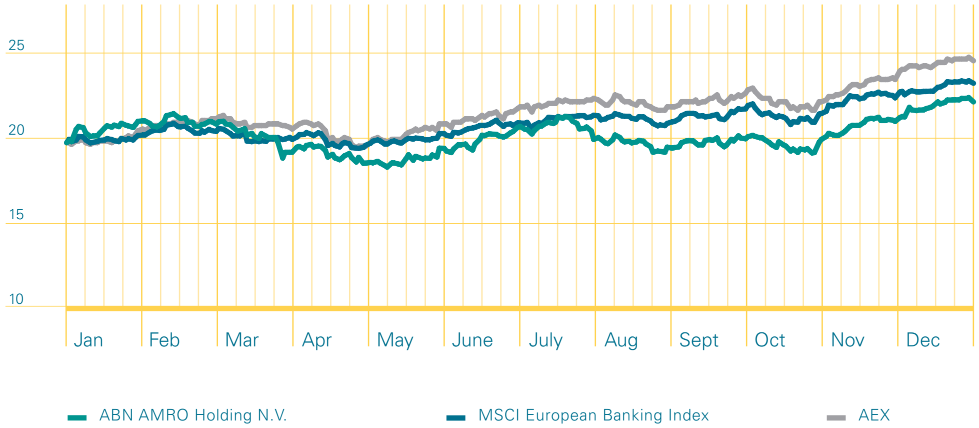
These figures have been prepared in conformity with general accepted accounting principles in the Netherlands.

2004	2003	2002	2001	2000	1999	1998	1997
9,666	9,723	9,845	10,090	9,404	8,687	7,198	6,294
10,127	9,070	8,435	8,744	9,065	6,840	5,340	4,491
19,793	18,793	18,280	18,834	18,469	15,527	12,538	10,785
13,687	12,585	13,148	13,771	13,202	10,609	8,704	7,450
653	1,274	1,695	1,426	585	633	840	726
5,451	4,918	3,388	3,613	4,725	4,250	2,897	2,626
4,109	3,161	2,207	3,230	2,498	2,570	1,828	1,748
4,066	3,116	2,161	3,184	2,419	2,490	1,747	1,666
1,706	1,589	1,462	1,421	1,424	1,250	906	844
15.0	13.0	11.1	12.1	12.9	12.4	10.9	11.9
33.0	31.8	30.4	34.3	32.9	29.3	24.5	24.2
376.5	361.6	360.7	384.9	339.8	284.2	243.5	221.1
299.0	296.8	310.9	345.3	319.3	259.7	220.5	201.1
608.6	560.4	556.0	597.4	543.2	457.9	432.1	379.5
191.5	162.5	180.3	193.4	187.5	159.0	124.0	102.8
231.4	223.8	229.6	273.4	263.9	246.4	215.8	208.7
1,669.2	1,637.9	1,585.6	1,535.5	1,500.4	1,465.5	1,438.1	1,405.6
1,657.6	1,610.2	1,559.3	1,515.2	1,482.6	1,451.6	1,422.1	1,388.7
2.45	1.94	1.39	1.53	2.04	1.72	1.23	1.20
2.45	1.93	1.38	1.52	2.02	1.71	1.22	1.19
1.00	0.95	0.90	0.90	0.90	0.80	0.58	0.54
40.8	49.0	64.7	58.8	44.1	46.5	46.9	45.5
8.51	7.47	6.47	7.34	8.43	7.87	6.94	7.84
30.8	27.7	20.1	27.3	20.5	23.1	16.6	15.5
8.57	8.15	7.48	7.03	7.20	7.20	6.94	6.96
11.26	11.73	11.54	10.91	10.39	10.86	10.48	10.65
69.2	67.0	71.9	73.1	71.5	68.3	69.4	69.1
28,751	31,332	32,693	36,984	38,958	37,138	36,716	34,071
70,520	81,331	73,745	74,726	76,140	72,800	71,014	42,678
680	711	739	736	905	921	943	967
2,818	2,964	2,685	2,836	2,774	2,668	2,640	921
58	63	66	67	74	76	74	71

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 and under IFRS excluding the special component of equity with respect to cash flow hedges and available for sale securites.*
8 *International Financial Reporting Standards.*

ABN AMRO Shares

Share price movements January 2005 – December 2005 *(in euros)*
(MSCI and AEX indices restated on the basis of ABN AMRO Holding N.V. ordinary share price on 31 December 2004)



Stock exchange listings

At 31 December 2005 the ordinary shares of ABN AMRO Holding N.V. were listed on the stock exchanges of Amsterdam, Brussels, Paris, London and New York. With effect from 17 March 2006, the ordinary shares were delisted from the London Stock 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 2005, 61,459,721 ADRs were outstanding, compared to 52,630,453 at year-end 2004.

The depositary receipts for the financing preference shares are not listed. The (formerly convertible) preference shares are listed on the Euronext Amsterdam.

In connection with the listing of its ordinary shares on the New York Stock Exchange, ABN AMRO also publishes an annual report that satisfies the rules established by the Securities and Exchange Commission. This 20-F report is published on our website.

Development of share capital

In 2005, the number of ordinary shares outstanding increased by 208.7 million from 1,669.2 million to 1,877.9 million. This increase was the result of dividend payments in stock (61.6 million shares), the exercise of staff options (1.9 million shares) and issue of 145.2 million new shares.

The time-weighted average number of ordinary shares outstanding amounted to 1,804.1million (2004: 1,657.6 million). In calculating the time-weighted average, new shares are counted on a pro rata basis from the date of issue.

The number of convertible financing preference shares remained unchanged at 1,369,815,864, each with a nominal value of EUR 0.56. Conversion of these shares into ordinary shares may take place in certain conditions (for details please refer to our website).

The number of (formerly convertible) preference shares remained unchanged at 44,988.

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

Exercisable staff options could increase the number of ordinary shares by 26.9 million or 1.4% of the number of ordinary shares outstanding at 31 December 2005.

Rights at 31 December 2005

(in thousands of shares)	Staff options	Average exercise price (in euros)
Year of expiration		
2007	4,411	21.30
2008	9,459	22.72
2009	4,391	20.42
2010	898	15.06
2011	495	17.12
2012	8,612	19.14
2013	13,105	14.45
2014	13,265	18.86
2015	7,633	21.24
	62,269	19.06

Authorised capital

(in euros)				
4,000,000,400	ordinary shares	of	EUR 0.56	2,240,000,224
4,000,000,000	convertible financing preference shares	of	EUR 0.56	2,240,000,000
100,000,000	convertible preference shares	of	EUR 2.24	224,000,000
				4,704,000,224

Issued shares at 31 December 2005

(in euros)				
1,909,738,427	ordinary shares	of	EUR 0.56	1,069,453,519.12
1,369,815,864	convertible financing preference shares	of	EUR 0.56	767,096,883.84
44,988	(formerly convertible) preference shares	of	EUR 2.24	100,773.12

Ordinary share key figures

(in euros)	**2005**	2004
Closing prices		
• High	**22.34**	19.79
• Low	**18.27**	16.47
• Year-end	**22.09**	19.49
Earnings per share 1	**2.43**	2.33
Fully diluted earnings per share	**2.42**	2.33
Payout ratio in % 2	**45.3**	42.9
Dividend per share	**1.10**	1.00
Dividend yield in % (year-end)	**5.0**	5.1
Net asset value per share (year-end)	**11.83**	8.88
Price / earnings ratio (year-end)	**9.1**	8.4
Price / net asset value in % (year-end)	**186.7**	219.5

1 *Based on the average number of ordinary outstanding and adjusted for increases in share capital*
2 *Ratio of dividend to net earnings per share*

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 pay-out ratio at 45% to 50% of net attributable profit. Looking forward, our reported results will be more volatile under IFRS, but we will strive to at least maintain a stable dividend, with the aim of increasing it over time to reflect improved underlying earnings.

As a result of the improved capital position, ABN AMRO has decided to resume the neutralisation of the stock dividend as per the interim dividend of 2006.

Depositary receipts for preference shares

At year-end 2005, 1,369.8 million depositary receipts for convertible financing preference shares of EUR 0.56 face value each were outstanding. Holders of convertible financing preference shares receive an annual cash dividend of EUR 0.02604 per share, representing 4.65% of the face value of EUR 0.56. The dividend percentage on the

Dividends on ordinary shares

	Entirely in cash	or shares as % of face value	New shares (x 1,000)	Payout ratio
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	
Final dividend 2003	0.50	3.0% ordinary shares	28,151	49.0
Interim dividend 2004	0.50	2.9% ordinary shares	28,855	
Final dividend 2004	0.50	2.7% ordinary shares	32,334	40.8
Interim dividend 2005	0.50	2.6% ordinary shares	29,237	

Market capitalisation

(year-end, in millions of euros)	**2005**	2004
Ordinary shares (outstanding)	**41,483**	32,533
Convertible financing preference shares	**767**	767
(Formerly convertible) preference shares	**1**	1
	42,251	33,301
Market capitalisation as % of capitalised value of all listed Dutch ordinary shares	**7.9%**	8.2%

Daily ordinary share turnover in 2005

(in thousands)	Euronext Amsterdam	NYSE (ADRs)
High	55,590.6	1,108.9
Low	1,914.3	117.5
Average	9,005.3	280.6

Daily preference share turnover on Euronext Amsterdam in 2005

(in thousands)	(Formerly convertible) preference shares
High	4.0
Low	–
Average	0.1

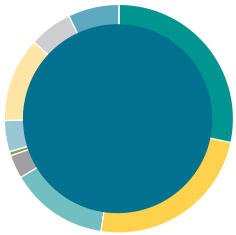
convertible financing preference shares and depositary receipts for convertible financing preference shares has been fixed at 4.65%, as of 30 September 2004. As from 1 January 2011, and every ten years thereafter, the dividend percentage will be adjusted in line with the arithmetic mean of the 10-year euro-denominated interest rate swaps, plus a surcharge of not less than 25 nor more than 100 basis points, depending on the prevailing market conditions.

On 31 December 2005, 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, which represents 3.3231% of the paid-up amount on issue (EUR 28.58815), as of 1 January 2004. As from 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 basis points.

Geographical concentration of ABN AMRO ordinary shares

The ordinary shares are generally issued in registered form, which are nearly all held by Euroclear Netherlands, the Dutch central depository institution. Apart from the filings under the disclosure of major holding in the listed company act, no information is available on the ownership of shares. A study conducted in December 2005 into the ownership of shares in ABN AMRO Holding N.V. identified 72% of the company's ordinary shares. Of the 72% identified, institutional investors hold 86% and retail investors hold 14%. 35% of the identified shares are hold in the Netherlands, 65% outside the Netherlands. The geographical concentration of the shares held by institutional investors is depicted below.

Geographical concentration worldwide



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 issued at year-end 2005.

Depositary receipts for financing preference shares are issued by Stichting Administratiekantoor Preferente Financieringsaandelen ABN AMRO Holding, which held 100% of the outstanding financing preference shares at year-end 2005.

Disclosure of major shareholders

	Number of ordinary shares	Percentage of ordinary shares	Number of depositary receipts of preference shares 1	Percentage of depositary receipts of preference shares 1
Aegon N.V.	712,672	0.04	196,347,872	14.33
Fortis Utrecht N.V. 2	10,562,903	0.55	230,833,376	16.85
Delta Lloyd Leven 3	16,047,351	0.84	239,409,452	17.48
ING Groep N.V. 4	124,556,052	6.52	291,692,888	21.29
Eureko B.V. 5	1,596,091	0.08	166,000,000	12.12
De Zonnewijser (investment fund) 6	5,898	–	205,789,464	15.02

1 Other than the Trust Office, the holders of preference shares listed in the table above hold depositary receipts entitling them to the economic benefits of the preference shares. The preference shares represented by these depositary receipts are held by the Trust Office.

2 In 2005 Fortis Utrecht N.V. decreased its ownership to 0.55% of the total outstanding amount of ordinary shares from its prior ownership of 0.58%. Ownership of the total outstanding amount of preference shares remained unchanged at 16.85%.

3 In 2005, Delta Lloyd Leven decreased its ownership to 0.84% of the total outstanding amount of ordinary shares from its prior ownership of 0.86%. Ownership of the total outstanding amount of preference shares remained unchanged at 17.48%.

4 In 2005, ING Groep N.V. decreased its ownership to 6.52% of the total outstanding amount of ordinary shares from its prior ownership of 6.57%. Ownership of the total outstanding amount of preference shares remained unchanged at 21.29%.

5 In 2005, Eureko B.V. acquired ownership of 0.08% of the total outstanding amount of ordinary shares. Eureko B.V. also acquired ownership of 12.12% of the total outstanding amount of preference shares.

6 In 2005, De Zonnewijser decreased its ownership to 0.00% of the total outstanding amount of ordinary shares from its prior ownership of 0.01%. Ownership of the total outstanding amount of preference shares remained unchanged at 15.02%.

Credit ratings

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

Peer group ABN AMRO

Our corporate measures of success are total return to shareholders (TRS) and average return on equity. Our TRS is measured against those of 20 competitors that have been established as our peer group, the members of which are listed below. Our target is to be in the top five of our peer group at the end of every four-year cycle. At the end of the 2002-2005 cycle, our peer group position was 7 and on 31 December 2005 our peer group position was 12 in the 2005-2008 cycle. You can find a TRS graph showing our relative performance at www.abnamro.com.

Barclays plc	Credit Suisse Group	JPMorgan Chase	National City
BBVA	Deutsche Bank	KeyCorp	Nordea
BNP Paribas	HSBC Holdings plc	Lloyds TSB Group plc	Société Générale Group
Grupo Santander	HVB Group	Merrill Lynch	UBS
Citigroup	ING Group	Morgan Stanley	Wells Fargo

Indices

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

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

Financial calendar 2006

31 January	Announcement of 2005 full year results
31 March	Publication of Annual Report 2005 and 20-F. Publication of Sustainability Report
26 April	First quarter results release 2006
26 April	Ex dividend quotation (ADRs)
27 April	General meeting of shareholders
28 April	Record date (ADRs)
1 May – 16 May	Dividend election period (ADRs)
2 May	Ex dividend quotation (the Netherlands)
2 May – 18 May	Dividend election period (the Netherlands)
23 May	Determination of stock price (the Netherlands) based on weighted average of share price on 19, 22 and 23 May
23 May	Stock portion announced (the Netherlands and ADRs)
29 May	Payment date (the Netherlands)
6 June	Payment date (ADRs)
31 July	Second quarter results release 2006
30 October	Third quarter results release 2006

Financial calendar 2007

8 February	Announcement of 2006 full year results
30 March	Publication of Annual Report 2006 and 20-F
26 April	Announcement of 2007 first quarter results
26 April	General Meeting of Shareholders
30 July	Announcement of 2007 second quarter results
25 October	Announcement of 2007 third quarter results

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financial statements 2005

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Accounting policies

ABN AMRO Holding N.V. is the parent company of the ABN AMRO consolidated group of companies (referred to as the 'Group' or 'ABN AMRO') and is domiciled in the Netherlands. The consolidated financial statements of the Group for the year ended 31 December 2005 incorporate figures of the parent, its controlled entities and interests in associates.

The Group provides a broad range of financial services on a worldwide basis, including consumer, commercial and investment banking.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and do not utilise the portfolio hedging 'carve out' permitted by the EU. Accordingly, the accounting policies applied by the Group also comply fully with IFRS.

IFRS standards and interpretations are issued by the International Accounting Standards Board (IASB) and comprise International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Since ordinary shares in ABN AMRO Holding N.V. are listed on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts, ABN AMRO also publishes an annual report on Form 20-F that conforms to the rules of the Securities and Exchange Commission (SEC) applicable to foreign registrants. The Form 20-F includes a reconciliation of equity and profit attributable to shareholders of the parent company to the comparable amounts using accounting principles generally accepted in the United States (US GAAP).

Basis of preparation and first time application

The financial statements are presented in euros, which is the presentation currency of the Group, rounded to the nearest million.

The financial statements are prepared on a mixed model valuation basis. Fair value is used for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through income and available-for-sale assets. Other financial assets (including 'Loans and Receivables') and liabilities are valued at amortised cost. The carrying value of amortised cost assets and liabilities included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk. Non-financial assets and liabilities are generally stated at historical cost.

The preparation of financial statements in conformity with IFRS requires the use of judgement and estimates that affect the recognition and valuation of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ ultimately from these estimates. The key areas requiring an application of judgement and estimation include the assessment of risk and rewards and other relevant criteria when determining whether or not to derecognise a financial asset or when to consolidate a special purpose entity, the determination of the fair value of certain assets and liabilities, the amount and timing of future cash flows on impaired loans, the outcome of any litigation and the assumptions underlying the determination of long term employee benefit liabilities and other provisions.

The Group has applied the accounting policies set out herein from its transition to IFRS at 1 January 2004.

For all periods up to and including the year ended 31 December 2004, ABN AMRO prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP). From

1 January 2005, ABN AMRO is required to prepare its consolidated financial statements in accordance with IFRS as adopted by the EU and effective for ABN AMRO's reporting for the year ended 31 December 2005. Transition to IFRS incorporates the impact of applying all IFRS statements to our assets (such as loans and property), liabilities (such as pensions) and open contracts (such as derivatives and leases) at 1 January 2004. In many respects the change to IFRS has been a gradual process for Dutch companies, due to the inclusion of many IFRS standards within Dutch GAAP. However, IAS 39 'Financial Instruments', which is the main IFRS standard impacting banks, was not incorporated into Dutch GAAP. This standard, which extends the use of fair values and sets out specific rules of the application of hedge accounting, causes a number of the transition differences.

In preparing these consolidated financial statements, the Group has elected to utilise certain transitional provisions within IFRS 1 'First-time Adoption of International Financial Reporting Standards' which offer certain practical exemptions from the normal rule of applying IFRS retrospectively.

The following exemptions were used to establish the Group's opening IFRS equity:

- no restatement of business combinations that took place prior to 1 January 2004
- the full cumulative actuarial loss on retirement benefit plans is recognised in equity at 1 January 2004
- the cumulative translation account in equity for foreign operations is set to zero at 1 January 2004
- IFRS 2 'Share-based Payment' is only applied to unvested awards that were issued after 7 November 2002
- the IAS 39 requirement to defer gains and losses on the initial recognition of a financial asset or liability, not determined by reference to observable market data, was applied to all transactions entered into after 25 October 2002 consistent with US GAAP requirements
- certain financial assets and liabilities were designated to be held at fair value through income on transition.

Items elected to fair value through income on transition include non-controlling investments of a Private Equity nature, mortgages originated and held for sale by our North America business, unit-linked investments held for the account of insurance policy holders and certain structured liabilities.

The Group has adopted the 'Amendment to IAS 39 Financial Instruments: Recognition and Measurement: The Fair Value Option' with effect from 1 January 2004, ahead of its mandatory date. Additionally, the Group elected to apply IFRS 5 'Non-current assets held for sale and discontinued operations' at 1 January 2004 ahead of its mandatory effective date.

See note 47 for further details of the transition to IFRS.

Basis of consolidation

Subsidiaries and acquisitions

Subsidiaries are those enterprises controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable or convertible are taken into account when assessing whether control exists. The Group sponsors the formation of entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other narrow and well-defined objectives. Particularly in the case of securitisations these entities may acquire assets from other Group companies. Some of these entities are bankruptcy-remote entities whose assets are not available to meet the claims of creditors of the Group or any of its subsidiaries. Such entities are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the entity indicates that control is held by the Group.

The financial statements of subsidiaries and special purpose entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Equity attributable to minority interests is shown separately in the consolidated balance sheet as part of total equity and current period profit or loss attributable to minority interests are presented as an attribution of profit for the year.

IFRS 3 'Business combinations' was adopted for all business combinations that took place after 1 January 2004. Goodwill on acquisitions prior to this date was charged against equity. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets (including certain contingent liabilities) acquired is recorded as goodwill.

In a step acquisition, where control is obtained in stages, all assets and liabilities of the acquired subsidiary, excluding goodwill, are adjusted to their fair values at the date of the latest share acquisition transaction. Fair value adjustments relating to existing holdings are recorded directly in equity.

As a consequence of measuring all the acquired assets and liabilities at fair value, minority interests are calculated by reference to these fair values.

Investments held with significant influence

Associates are those enterprises in which the Group has significant influence (this is generally demonstrated when the Group holds between 20% and 50% of the voting rights), but not control, over the operating and financial policies.

If significant influence is held in a venture capital investment the equity investment is designated to be held at fair value with changes through income.

Other investments in which significant influence is held, including the Group's strategic investments, are accounted for using the 'Net equity method' and presented as 'Equity accounted investments'. Under this method the investment is initially recorded at cost and subsequently increased (or decreased) for post acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. When the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or made payments on behalf of the investee.

Jointly controlled entities

Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of these enterprises' assets, liabilities, income and expenses on a line-by-line basis, from the date on which joint control commences until the date on which joint control ceases.

Non-current assets held for sale and discontinued operations

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell and are classified separately from other assets in the balance sheet. Assets and liabilities of a business held for sale are separately presented.

The results of discontinued operations (if significant and representing a separate major line of business or a geographical area of operation) are presented in the income statement as a single amount comprising the net profit and/or net loss of the discontinued operation and the after tax gain or loss realised on disposal. Comparative income statement data is re-presented if in the current period an activity qualifies as discontinuing and qualifies for separate presentation.

Private equity

Investments of a private equity nature controlled by the Group are consolidated. All other investments of a private equity nature are designated at fair value through income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any related unrealised gains, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Currency translation differences

The financial performance of the Group's foreign operations (conducted through branches, subsidiaries, associates and joint ventures) is reported using the currency ('functional currency') that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

Transactions in a currency that differs from the functional currency of the transacting entity are translated into the functional currency at the foreign exchange rate at transaction date. Accruals and deferrals are translated using the foreign exchange rate on the last day of the month to which the results relate. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities accounted for at cost, if denominated in foreign currency, are translated at the foreign exchange rate prevailing at the date of initial recognition.

Translation differences on monetary financial assets and liabilities, whether measured at amortised cost or fair value, are included in foreign exchange gains and losses in income. Translation differences on non-monetary items (such as equities) held at fair value through income are also reported through income and, for those classified as available-for-sale, directly in equity within 'Net unrealised gains and losses on available-for-sale assets'.

The assets and liabilities of foreign operations, including goodwill and purchase accounting adjustments, are translated to the Group's presentation currency, the euro, at the foreign exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to euro at the rates prevailing at the end of the month. Currency translation differences arising on these translations are recognised directly in equity ('currency translation account'). Exchange differences recorded in equity, arising after transition to IFRS on 1 January 2004, are included in the income statement on disposal or partial disposal of the operation.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that entail either the holding or placing of assets on behalf of individuals, trusts or other institutions. These assets are not assets of the Group and are therefore not included in these financial statements.

Income statement

Interest income and expenses

Interest income and expense is recognised in the income statement using the effective interest rate method. The application of this method includes the amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. This item also includes interest income and expense in relation to trading balances.

Fee and commission income

Fees and commissions are recognised as follows:

- fees and commissions generated as an integral part of negotiating and arranging a funding transaction with customers, such as the issuance of loans are included in the calculation of the effective interest rate and are included in interest income and expense
- fees and commissions generated for transactions or one-off acts are recognised when the transaction or act is completed
- fees and commissions dependent on the outcome of a particular event or contingent upon performance are only recognised when the relevant criteria have been met
- service fees are typically recognised on a straight-line basis over the service contract period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts
- asset management fees related to investment funds are also recognised over the period the service is provided. This principle is also applied to the recognition of income from wealth management, financial planning and custody services that are provided over an extended period.

Net trading income

Net trading income includes gains and losses arising from changes in the fair value and disposal of financial assets and liabilities held for trading and includes dividends received from trading instruments. Interest income or expenses on trading assets or liabilities are included within interest income or expense.

Results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of certain hedging programmes, fair value changes relating to assets and liabilities designated at fair value through income and changes in the value of any related derivatives. Dividend income from non-trading equity investments is recognised when entitlement is established.

Other operating income

Development property income is first recognised when the outcome of a construction contract can be estimated reliably; after which contract income and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the phases of work performed. An expected loss on a contract is recognised immediately in the income statement.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Income from insurance activities is presented net of direct costs and provisions required for the insured risk.

Earnings per share

Earnings per share is calculated by dividing the profit attributable to shareholders of the parent company from continuing and discontinuing operations by the average number of shares in issuance during the year. Fully diluted earnings per share is calculated taking into account all dilutive instruments, including options and employee share plans, in issuance at the balance sheet date.

Segment reporting

Business segments are the primary reporting segments and are grouped by the nature of risks and rewards assessed by reference to product and service characteristics. Geographical segments are grouped based on a combination of proximity, relationships between operations and economic and currency similarities. Geographical data is presented according to the location of the transacting Group entity.

Financial assets and liabilities

Measurement classifications

The Group classifies its financial assets and liabilities into the following measurement ('valuation') categories:

Financial instruments held for trading are those that the Group holds primarily for the purpose of short-term profit-taking. These include shares, interest earning securities, derivative contracts that are not designated as hedging instruments, and liabilities from short sales of financial instruments.

Derivatives are financial instruments that require little or no initial net investment, with future settlements dependent on a reference benchmark index, rate or price (such as interest rates or equity prices). Changes in expected future cash flows in response to changes in the underlying benchmark determine the fair value of derivatives. All derivatives are recorded in the balance sheet at fair value. Changes in the fair value of derivative instruments are taken to income, except where a designation as a cash flow hedge or net investment hedge is made (see hedging below).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They generally arise when the Group provides money or services directly to a customer with no intention of trading or selling the loan. Loans originated with the intention to sell are classified within other assets and designated at fair value through income.

Held-to-maturity assets are non-derivative financial assets quoted on an active market with fixed or determinable payments (i.e. debt instruments) and a fixed maturity that the Group has the intention and ability to hold to maturity.

Designated at fair value through income are financial assets and financial liabilities that the Group upon initial recognition (or on transition to IFRS on 1 January 2004) designates to be measured at fair value with changes reported in income. Such a designation is done if:

- the host instrument includes an embedded derivative that would otherwise require separation. This applies to certain structured notes issued with hybrid features. Fair value measurement also helps to achieve offset against changes in the value of derivatives and other fair value positions used to economically hedge these notes
- the designation eliminates or significantly reduce a measurement inconsistency that would otherwise arise. In this regard unit-linked investments held for the account and risk of policyholders and the related obligation to policyholders are designated at fair value with changes through income
- it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis. This is applied to equity investments of a private equity nature and mortgages that are originated and held-for-sale by our business in North America.

Available-for-sale assets include interest earning assets that have either been designated as available-for-sale or do not fit into one of the categories described above. Equity investments held without significant influence, which are not held for trading or elected to fair value through income are classified as available-for-sale.

Non-trading financial liabilities that are not designated at fair value through income are measured at amortised cost.

Recognition and derecognition

Traded instruments are recognised on trade date, defined as the date on which the Group commits to purchase or sell the underlying instrument. Where settlement terms are non-standard the commitment is accounted for as a derivative between trade and settlement date. Loans and receivables are recognised when they are acquired or funded by the Group and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with the Group. Other financial assets and liabilities, including derivatives, are recognised in the balance sheet when the Group becomes party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when the Group loses control or the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are fully transferred. If a servicing function is retained, which is profitable, a servicing asset is recognised. A financial liability is derecognised when the obligations specified in the contract are discharged, cancelled or expire.

Financial instruments continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferable to the lender without material delay and the lenders claim is limited to those cash flows, in which case that proportion of the asset is derecognised; or substantially all the risks and returns and control associated with the financial instruments have been transferred in which case the assets are derecognised in full.

The Group derecognises financial liabilities when settled or if the Group repurchases its own debt. The difference between the former carrying amount and the consideration paid is included in results on financial transactions in income. Any subsequent resale is treated as a new issuance.

The Group securitises various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. The Group's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interest. In many cases these retained interests are significant, such that the SPE is consolidated, and the securitised assets continue to be recognised in the consolidated balance sheet.

Measurement

All trading instruments and financial assets and liabilities designated at fair value are measured at fair value, with transaction costs related to the purchase taken to income directly.

All derivatives are recorded in the balance sheet at fair value with changes recorded through income unless the derivative qualifies for cash flow hedging accounting.

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in equity, net of applicable taxes. Premiums, discounts and qualifying transaction costs of interest earning available-for-sale assets are amortised to income on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired the cumulative gain or loss recognised in equity is transferred to results from financial transactions in income.

All other financial assets and liabilities are initially measured at cost including directly attributable incremental transaction costs. They are subsequently valued at amortised cost using the effective interest rate method. Through use of the effective interest rate method, premiums and discounts, including qualifying transaction costs, included in the carrying amount of the related instrument are amortised over the period to maturity or expected prepayment on the basis of the instrument's original effective interest rate.

When available, fair values are obtained from quoted market prices in liquid markets. Where no active market exists, or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques – including discounted cash flow and other pricing models. Inputs to pricing models are generally taken from reliable external data sources. The models used are validated prior to the use for financial reporting by qualified staff independent of the initial selection or creation of the model. Where inputs cannot be reliably sourced from external providers, the initial recognition value of a financial asset or liability is taken to be the settled value at trade inception. The initial change in fair value indicated by the valuation technique is then released to income at appropriate points over the life of the instrument (typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions). Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate applied is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Fair values include appropriate adjustments to reflect the credit quality of the instrument.

Professional securities transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected on the balance sheet unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and receivables) or received (due to banks or customers). The market value of the securities borrowed and lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (sales) of investments with agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense.

Netting and collateral

The Group enters into master netting arrangements with counterparties wherever possible, and when appropriate, obtains collateral. If the Group has the right on the grounds of either legal or contractual provisions and the intention to settle financial assets and liabilities net or simultaneously, these are offset and the net amount is reported in the balance sheet. Due to differences in the timing of actual cash flows, derivatives with positive and negative fair values are generally not netted, even if they are held with the same counterparty.

Hedge accounting

The Group uses derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The Group applies fair value, cash flow or net investment hedging to qualifying transactions that are documented as such at inception.

The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risk being hedged (the 'hedged risk') is typically changes in interest rates or foreign currency rates. The Group also enters into credit risk derivatives (sometimes referred to as 'credit default swaps') for managing portfolio credit risk. However these are generally not included in hedge accounting relationships due to difficulties in demonstrating that the relationship will be highly effective.

Both at the inception of the hedge and on an ongoing basis, the Group formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item, by assessing and measuring, whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument, within the range 80% to 125%.

Hedge ineffectiveness represents the amount by which the changes in the fair value of the derivative differ from changes in the fair value of the hedged item in a fair value hedge, or the amount by which the changes in the fair value of the derivative are in excess of the fair value change of the expected cash flow in a cash flow hedge. Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in income.

The Group discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of recognised or committed assets or liabilities, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the income statement, typically within results from financial transactions. For hedges of mortgage service rights any hedging ineffectiveness is recorded in other income.

When a fair value hedge of interest rate risk is terminated, any fair value adjustment to the carrying amount of the hedged asset or liability is amortised to income over the original designated hedging period or taken directly to income if the hedged item is sold, settled or impaired.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from recognised assets, liabilities or anticipated transactions, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gain or loss recognised in equity is transferred to the income statement at the time when the hedged transaction affects net profit or loss and included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

Hedge of a net investment in a foreign operation

The Group uses foreign derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of these instruments to euro are recognised directly in the currency translation account in equity, insofar as they are effective.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that event adversely impacts estimated future cash flows of the financial asset or the portfolio.

Loans and receivables

An indication that a loan may be impaired is obtained through the Group's credit review processes, which include monitoring customer payments and other performance criteria.

The Group first assesses whether objective evidence of impairment exists for loans (including any related facilities and guarantees) that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, it includes the asset in a portfolio of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually impaired are not included in a collective assessment of impairment.

Indications that there is a measurable decrease in estimated future cash flows from a portfolio of loans, although the decrease cannot yet be identified with the individual loans in the portfolio, include adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults in the portfolio.

The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the income statement line loan impairment and other credit risk provisions.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that are likely to result from foreclosure less costs for obtaining and selling the collateral.

Future cash flows of a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the portfolio and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the historical data and to remove the effects of conditions in the historical data that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The impact of changes in estimates and recoveries is recorded in the income statement line loan impairment and other credit risk provisions.

Following impairment, interest income is recognised using the original effective rate of interest. When a loan is deemed no longer collectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement line loan impairment and other credit risk provisions. Assets acquired in exchange for loans to achieve an orderly realisation are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset, initially booked at fair value.

Other financial assets

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement within results on financial transactions.

Held to maturity and available-for-sale debt investments are assessed and any impairment is measured on an individual basis, consistent with the methodology applied to loan and receivables.

Property and equipment

Own use assets

Property and equipment is stated at cost less accumulated depreciation and any amount for impairment. If an item of property and equipment is comprised of several major components with different useful lives, each component is accounted for separately. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. Expenditure incurred to replace a component of an asset is separately capitalised and the replaced component is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefit of the item of property and equipment. All other expenditure, including maintenance, is recognised in the income statement as incurred. When an item of property and equipment is retired or disposed, the difference between the carrying amount and the disposal proceeds net of costs is recognised in other operating income.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and major components that are accounted for separately. The Group generally uses the following estimated useful lives:

• Land	not depreciated
• Buildings	25 to 50 years
• Equipment	5 to 12 years
• Computer installations	2 to 5 years

Software, presented as an intangible asset, is amortised over 3-7 years.

Depreciation rates and residual values are reviewed at least annually to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Development property

The majority of the Group's development and construction activities are undertaken for immediate sale or as part of a pre-agreed contractual arrangement. Property developed under a pre-agreed contractual arrangement is stated at cost plus profit recognisable to date less a provision for any foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. The specific components of development property are accounted for as follows.

Building and development sites are carried at cost including allocated interest and additional expenses for purchasing the site and making them ready for development. No interest is allocated to land which has not been zoned for a particular purpose, if there is no certainty that the land will be built on. Any provision deemed necessary for expected losses on sale is deducted from the carrying value of the site.

Work in progress relates to commercial property projects, as well as to unsold residential property under construction or preparation. Work in progress is carried at the costs incurred plus allocated interest and net of any provisions as required. Progress instalments invoiced to buyers and principals are deducted from work in progress. The profit and loss is recognised in accordance with the percentage of completion method. Until sold, commercial and residential developments are carried at cost of production net of any required provisions. If a decision is taken to retain an unsold property it is classified as investment property.

Investment property

Investment property is carried at fair value based on current market prices for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit and loss. Rental income from investment property is recognised on a straight-line basis over the term of the lease, with lease incentives granted recognised as an integral part of the rental income.

Leasing

As lessee: most of the leases that the Group has entered into are classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. When it is anticipated that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub-leasing income) is recognised as an expense.

As lessor: assets subject to operational leases are included in property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value. Leases where the Group transfers substantially all the risks and rewards resulting from ownership of an asset to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, using the implicit interest rate, including any guaranteed residual value, is recognised. Finance lease receivables are included in loans and receivables to customers.

Intangible assets

Goodwill

Goodwill is capitalised and represents the excess of the cost of an acquisition over the fair value of the Group's share of the acquired entity's net identifiable assets at the date of acquisition. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Any change in the assessed fair value of acquired assets and liabilities at the time of acquisition identified within one year following the acquisition are corrected against goodwill. Any revisions identified after one year are recorded in income.

Goodwill on the acquisition of equity accounted investments is included in the carrying amount of the investment.

Gains and losses on the disposal of an entity, including equity accounted investments, are determined as the difference between the sale proceeds and the carrying amount of the entity including related goodwill and any translation differences recorded in equity.

Software

Costs that are directly associated with identifiable and unique software products that are controlled by the Group, and likely to generate future economic benefits exceeding these costs, are recognised as intangible assets. Direct costs include staff costs of the software development team. Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Software is amortised over 3-7 years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Mortgage servicing rights

Mortgage servicing rights (MSRs) represent the right to a stream of fee-based cash flows and an obligation to perform specified mortgage servicing activities. MSRs are initially recorded at fair value and amortised over the estimated future net servicing income stream of the underlying mortgages. The duration of the income stream relating to these servicing rights is dependent on the pre-payment behaviour of the customer, which is influenced by a number of factors including interest rate expectations. MSR assets are subject to hedging under a fair value hedge programme designed to limit the Group's exposure to changes in the fair value of the MSR. The change in the fair value of the hedged MSRs and the change in the fair value of the hedging derivatives are included as part of mortgage banking income within other income.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and any adjustment for impairment losses. Other intangible assets are comprised of separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset.

Impairment of property and equipment and intangible assets

Property and equipment and intangibles are assessed at each balance sheet date or more frequently, to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review. Regardless of any indications of potential impairment, the carrying amount of goodwill is subject to a detailed impairment review at least annually.

An impairment loss is recognised whenever the carrying amount of an asset that generates largely independent cash flows or the cash-generating unit to which it belongs exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. When conducting impairment reviews, particularly for goodwill, cash-generating units are the lowest level at which management monitors the return on investment on assets.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. An impairment loss with respect to goodwill is not reversible. Other impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Pension and other post-retirement benefits

For employees in the Netherlands and the majority of staff employed outside the Netherlands, pension or other retirement plans have been established in accordance with the regulations and practices of the countries in question. Separate pension funds or third parties administer most of these plans. The plans include both defined contribution plans and defined benefit plans.

Defined contribution plans

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

Defined benefit plans

The net obligations under defined benefit plans are regarded as the Group's own commitments regardless of whether these are administered by a pension fund or in some other manner. The net obligation of each plan is determined as the difference between the benefit obligations and the plan assets. Defined benefit plan pension commitments are calculated in accordance with the projected unit credit method of actuarial cost allocation. Under this method, the present value of pension commitments is determined on the basis of the number of active years of service up to the balance sheet date and the estimated employee salary at the time of the expected retirement date, and is discounted using the market rate of interest on high-quality corporate bonds. The plan assets are measured at fair value.

Pension costs for the year are established at the beginning of the year based on the expected service and interest costs and the expected return on the plan assets, plus the impact of any current period curtailments or plan changes. Differences between the expected and the actual return on plan assets, as well as actuarial gains and losses, are only recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting year exceed 10% of the greater of the commitments under the plan and the fair value of the related plan assets. The part that exceeds 10% is recognised in income over the expected remaining years of service of the employees participating in the plans. Differences between the pension costs determined in this way and the contributions payable are accounted for as provisions or prepayments. Commitments relating to early retirement of employees are treated as pension commitments.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the past service cost is recognised immediately in the income statement.

Other post-retirement benefits

The Group's net obligation with respect to long-term service benefits and post-retirement healthcare is the amount of future benefit that employees have earned in return for their service in current and prior periods. The obligation is calculated using the projected unit credit method. It is then discounted to its present value and the fair value of any related assets is deducted.

Share-based payments to employees

The Group engages in equity and cash settled share-based payment transactions in respect of services received from certain of its employees. The cost of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost related to the shares or share options granted is recognised in the income statement over the period that the services of the employees are received, which is the vesting period, with a corresponding credit in equity for equity settled schemes and a credit in liabilities for cash settled schemes.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the volatility of the ABN AMRO share price over the life of the option and the terms and conditions of the grant. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services, so that ultimately the amount cumulatively recognised in the income statement shall reflect the number of shares or share options that eventually vest. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when the Group has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for.

Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement costs expectations.

Other liabilities

Obligations to policyholders, whose return is dependent on the return of unit linked investments recognised in the balance sheet, are measured at fair value with changes through income.

Income taxes – current and deferred

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The future tax benefit of income tax losses available for carry forward is recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, allowances for loan impairment, provisions for pensions and business combinations. The following differences are not provided for: capitalised goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates, to the extent that they will probably not reverse in the foreseeable future and the timing of such reversals is controlled by the Group. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and liability simultaneously.

Issued debt and equity securities

Issued debt securities are recorded on an amortised cost basis using the effective interest rate method, unless they are of a hybrid/structured nature and designated to be held at fair value through income.

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or at the option of the holder are classified as liabilities. The dividends and fees on preference shares classified as a liability are recognised as interest expense.

Issued financial instruments, or their components, are classified as equity when they do not qualify as a liability and represent a residual interest in the assets of the Group. Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument's initial value the fair value of the liability component.

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

Share capital

Incremental external costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including incremental directly attributable costs net of income taxes, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. Where such shares are subsequently sold or reissued, any consideration received is added to shareholders' equity.

Other equity components

Currency translation account

The currency translation account is comprised of all currency differences arising from the translation of the financial statements of foreign operations net of the translation impact on liabilities or foreign exchange derivatives held to hedge the Group's net investment. These currency differences are included in income on disposal or partial disposal of the operation.

Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative change in the fair value of cash flow hedging derivatives, net of taxes, where the hedged transaction has not yet occurred.

Net unrealised gains and losses on available-for-sale assets

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes. When the relevant assets are sold, impaired or otherwise disposed of, the related cumulative gain or loss recognised in equity is transferred to the income statement.

Collectively, the cash flow hedging reserve and the available-for-sale reserve are sometimes referred to as special components of equity.

Cash flow statement

Cash and cash equivalents for the purpose of the cash flow statement include cash in hand, deposits available on demand with central banks and net credit balances on current accounts with other banks.

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property and equipment. The issuing 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.

Consolidated income statement for 2005

(in millions of euros)	**2005**	2004
Interest income	**30,528**	25,334
Interest expense	**21,467**	16,538
Net interest income 2	**9,061**	8,796
Fee and commission income	**5,627**	5,265
Fee and commission expense	**881**	700
Net fee and commission income 3	**4,746**	4,565
Net trading income 4	**2,621**	1,309
Results from financial transactions 5	**1,282**	908
Share of result in equity accounted investments 19	**280**	206
Other operating income 6	**1,588**	1,235
Income of consolidated private equity holdings 40	**3,637**	2,616
Operating income	**23,215**	19,635
Personnel expenses 7	**7,531**	7,818
General and administrative expenses 8	**5,812**	5,038
Depreciation and amortisation 9	**1,021**	1,235
Goods and materials of consolidated private equity holdings 40	**2,519**	1,665
Operating expenses	**16,883**	15,756
Loan impairment and other credit risk provisions 18	**648**	616
Total expenses	**17,531**	16,372
Operating profit before tax	**5,684**	3,263
Income tax expense 11	**1,241**	770
Profit from continuing operations	**4,443**	2,493
Profit from discontinued operations net of tax 45	**–**	1,447
Profit for the year	**4,443**	3,940
Attributable to:		
Shareholders of the parent company	**4,382**	3,865
Minority interests	**61**	75
Earnings per share attributable to the shareholders of the parent company *(in euros)* 12		
From continuing operations		
Basic	**2.43**	1.46
Diluted	**2.42**	1.46
From continuing and discontinued operations		
Basic	**2.43**	2.33
Diluted	**2.42**	2.33

Numbers stated against items refer to the notes.

Consolidated balance sheet at 31 December 2005

(in millions of euros)	**2005**	2004
Assets		
Cash and balances at central banks **13**	**16,657**	17,896
Financial assets held for trading **14**	**202,055**	167,035
Financial investments **15**	**123,774**	102,948
Loans and receivables – banks **16**	**108,635**	83,858
Loans and receivables – customers **17**	**380,248**	320,022
Equity accounted investments **19**	**2,993**	1,428
Property and equipment **20**	**8,110**	7,173
Goodwill and other intangible assets **21**	**5,168**	3,143
Accrued income and prepaid expenses	**7,614**	5,740
Other assets **22**	**25,550**	18,211
Total assets	**880,804**	727,454
Liabilities		
Financial liabilities held for trading **14**	**148,588**	129,506
Due to banks **23**	**167,821**	133,529
Due to customers **24**	**317,083**	281,379
Issued debt securities **25**	**170,619**	121,232
Provisions **26**	**6,411**	6,933
Accrued expenses and deferred income	**8,335**	8,074
Other liabilities **28**	**18,723**	13,562
Total liabilities (excluding subordinated liabilities)	**837,580**	694,215
Subordinated liabilities **30**	**19,072**	16,687
Total liabilities	**856,652**	710,902
Equity		
Share capital	**1,069**	954
Share premium	**5,269**	2,604
Retained earnings	**15,237**	11,580
Treasury shares	**(600)**	(632)
Net gains / (losses) not recognised in the income statement	**1,246**	309
Equity attributable to shareholders of the parent company	**22,221**	14,815
Equity attributable to minority interests	**1,931**	1,737
Total equity	**24,152**	16,552
Total equity and liabilities	**880,804**	727,454
Credit related contingent liabilities **33**	**46,021**	46,465
Committed credit facilities **33**	**141,010**	145,009

Numbers stated against items refer to the notes.

Consolidated statement of changes in equity in 2005

(in millions of euros)	2005	2004
Share capital		
Balance at 1 January	**954**	919
Issuance of shares	**82**	–
Exercised options and warrants	**–**	2
Dividends paid in shares	**33**	33
Balance at 31 December	**1,069**	954
Share premium		
Balance at 1 January	**2,604**	2,549
Issuance of shares	**2,611**	–
Options and conversion rights exercised	**–**	48
Share-based payments	**87**	40
Dividends paid in shares	**(33)**	(33)
Balance at 31 December	**5,269**	2,604
Retained earnings		
Balance at 1 January	**11,580**	8,469
Profit attributable to shareholders of the parent company	**4,382**	3,865
Dividends paid to shareholders of the parent company	**(659)**	(694)
Other	**(66)**	(60)
Balance at 31 December	**15,237**	11,580
Treasury shares		
Balance at 1 January	**(632)**	(119)
Net purchase / sale of treasury shares	**32**	(513)
Balance at 31 December	**(600)**	(632)
Equity settled own share derivatives		
Balance at 1 January	**–**	(106)
Change in market value and settlements	**–**	106
Balance at 31 December	**–**	–
Net gains / (losses) not recognised in the income statement		
Currency translation account		
Balance at 1 January	**(238)**	–
Transfer to income statement relating to disposed subsidiaries	**(20)**	2
Currency translation differences	**1,100**	(240)
Subtotal – Balance at 31 December	**842**	(238)
Net unrealised gains / (losses) on available-for-sale assets		
Balance at 1 January	**830**	572
Net unrealised gains / (losses) on available-for-sale assets	**717**	509
Net losses / (gains) reclassified to the income statement	**(348)**	(251)
Subtotal – Balance at 31 December	**1,199**	830
Cash flow hedging reserve		
Balance at 1 January	**(283)**	(165)
Net unrealised gains / (losses) on cash flow hedges	**(386)**	106
Net losses / (gains) reclassified to the income statement	**(126)**	(224)
Subtotal – Balance at 31 December	**(795)**	(283)
Net gains / (losses) not recognised in the income statement at 31 December	**1,246**	309
Equity attributable to shareholders of the parent company at 31 December	**22,221**	14,815
Minority interest		
Balance at 1 January	**1,737**	1,301
Additions	**202**	367
Reductions	**(49)**	–
Acquisitions / disposals	**(136)**	(30)
Profit attributable to minority interests	**61**	75
Currency translation differences	**133**	33
Other movements	**(17)**	(9)
Equity attributable to minority interests at 31 December	**1,931**	1,737
Total equity at 31 December	**24,152**	16,552

Consolidated statement of comprehensive income for 2005

(in millions of euro)	2005	2004
Profit attributable to shareholders of the parent company	**4,382**	3,865
Gains / (losses) not recognised in income:		
Currency translation differences	**1,100**	(240)
Available-for-sale assets	**717**	509
Cash flow hedges	**(386)**	106
	1,431	375
Unrealised (gains) / losses from prior periods recognised in income:		
Currency translation differences relating to disposed subsidiaries	**(20)**	2
Available-for-sale assets	**(348)**	(251)
From cash flow hedging reserve	**(126)**	(224)
	(494)	(473)
Comprehensive income for the year	**5,319**	3,767

The statement of comprehensive income for the year presents all movements in equity attributable to shareholders of the parent company other than changes in issued share capital and distributions to shareholders.

Consolidated cash flow statement for 2005

(in millions of euros)	**2005**	2004
Operating activities		
Profit from continuing operations	**4,443**	2,493
Adjustments for significant non-cash items included in income		
Depreciation, amortisation and impairment	**1,021**	1,235
Loan impairment losses	**648**	616
Share of result in equity accounted investments	**(280)**	(206)
Movements in operating assets and liabilities		
Movements in operating assets	**(140,923)**	(107,875)
Movements in operating liabilities	**116,252**	87,424
Other adjustments		
Dividends received from equity accounted investments	**63**	59
Cash flows from operating activities	**(18,776)**	(16,254)
Investing activities		
Acquisition of investments	**(142,423)**	(78,760)
Sales and redemption of investments	**129,811**	76,338
Acquisition of property and equipment	**(2,037)**	(1,973)
Sales of property and equipment	**1,064**	1,131
Acquisition of intangibles (excluding goodwill and MSRs)	**(431)**	(339)
Sales of intangibles (excluding goodwill and MSRs)	**9**	50
Acquisition of subsidiaries and equity accounted investments	**(1,716)**	(278)
Disposal of subsidiaries and equity accounted investments	**538**	153
Cash flows from investing activities	**(15,185)**	(3,678)
Financing activities		
Issuance of subordinated liabilities	**2,975**	2,203
Repayment of subordinated liabilities	**(1,682)**	(2,708)
Issuance of other long-term funding	**36,782**	25,894
Repayment of other long-term funding	**(8,919)**	(7,771)
Proceeds from the issue of shares	**2,491**	0
Net (decrease) / increase in treasury shares	**32**	(513)
Other	**92**	334
Dividends paid	**(659)**	(694)
Cash flows from financing activities	**31,112**	16,745
Cash flow from discontinued operations	**–**	2,733
Movement in cash and cash equivalents	**(2,849)**	(454)
Cash and cash equivalents at 1 January	**8,603**	9,016
Currency translation differences	**289**	41
Cash and cash equivalents at 31 December 35	**6,043**	8,603

Notes to the consolidated financial statements

(unless otherwise stated, all amounts are in millions of euros)

1 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is consistent with the Group's management and internal reporting structure applicable in the financial year.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment income, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length. Capital expenditure represents expenditures during the period to acquire segment assets that are expected to be used for a period exceeding one year, such as own-use property and equipment and software.

Business segments

The business segments of the Group are:

Consumer & Commercial Clients (C&CC)

Consumer & Commercial Clients serves consumer clients and small to medium-sized enterprises. It has an especially strong position in the mass affluent consumer and mid-sized commercial segments and operates principally in the Netherlands, North America and Brazil where we have leading local franchises.

Consumer & Commercial Clients further includes our consumer and commercial banking activities in New Growth Markets and Bouwfonds, our property development and financing subsidiary. New Growth Markets include, among others, our consumer banking activities in India, the United Arab Emirates, Taiwan and Hong Kong.

Wholesale Clients (WCS)

Wholesale Clients is a corporate and investment bank operating worldwide. Wholesale Clients offers clients a wide-ranging product and services platform, including advisory, capital markets, financing and transaction banking in over 50 countries. Wholesale Clients is able to offer our clients local advisors with access to global market-leading expertise. Wholesale Clients' global capital markets operations are principally based in Amsterdam, Chicago, Hong Kong, London, New York, Singapore and Sydney.

Private Clients (PC)

Private Clients offers private banking services to wealthy individuals and families with investable assets of EUR 1 million or more. Private Clients uses an open architecture model, where clients are offered the best available products regardless of provider, an approach geared to delivering the highest possible returns to each of our clients. Private Clients is among the top ten private banks worldwide and is the fifth largest private bank in Europe in terms of assets under management.

Asset Management (AM)

Our asset management business operates in more than 20 countries across Europe, the Americas, Asia and Australia. Global portfolio management centres are located in six cities: Amsterdam, Atlanta, Chicago, Hong Kong, London and Singapore. Asset Management offers investment products in all major regions and asset classes, using an active investment style. Its investment philosophy is characterised by an internationally coordinated investment process and well-monitored risk management.

Asset Management's products for institutional clients such as central banks, pension funds, insurance companies and leading charities are distributed directly. Funds for private investors are distributed through our consumer and private banking arms, as well as via third party distributors. Asset Management's institutional client business represents slightly more than half of the assets managed. Retail and third party clients account for a further 30%, and the remainder of the assets managed are in discretionary portfolios managed for Private Clients.

Private Equity (PE)

Private Equity primarily invests in unlisted companies, both on ABN AMRO's own account and for third-party investors. During 2005, Private Equity's investment portfolio in European and Australian mid-sized buy-outs rose by around 25%, while its investments under management in early-stage Dutch companies decreased. Both changes reflected the current refocusing of strategic objectives.

The business model of Private Equity involves buying equity stakes in companies over which it can establish influence or control, and then managing these shareholdings for a number of years with a view to selling them at a profit.

Group Functions/Group Shared Services (GF / GSS)

Group Functions and Group Shared Services perform services for the Group that have been centralised and / or are shared across the Group. Group Functions includes Group Asset and Liability Management, which manages an investment and derivatives portfolio in order to manage the liquidity and interest rate risk of the Group. Group Functions also holds the Group's strategic investments and records any related profits or losses. Inter-segment elimations are also included in this segment.

Business segment information 2005

	C&CC	WCS	PC	AM	PE	GF /GSS	Total Group
Net interest income – external	8,636	669	(739)	(11)	(96)	602	**9,061**
Net interest income – other segments	(542)	320	1,219	17	(107)	(907)	**–**
Net commission income – external	1,813	1,765	565	590	9	4	**4,746**
Net commission income – other segments	53	(47)	29	6	(9)	(32)	**–**
Net trading income	225	2,363	42	14	9	(32)	**2,621**
Result from financial transactions	50	142	8	55	420	607	**1,282**
Result in equity accounted investments	145	2	1	18	–	114	**280**
Other operating income	1,340	101	100	23	1	23	**1,588**
Net sales revenue private equity holdings	–	128	–	–	3,509	–	**3,637**
Total operating income	11,720	5,443	1,225	712	3,736	379	**23,215**
Total operating expenses	7,391	4,803	891	501	3,392	(95)	**16,883**
Loan impairment and credit risk provisions	754	(241)	6	–	34	95	**648**
Total expenses	8,145	4,562	897	501	3,426	–	**17,531**
Operating profit before taxes	3,575	881	328	211	310	379	**5,684**
Income tax expense	1,023	176	73	40	(21)	(50)	**1,241**
Profit from continuing operations	2,552	705	255	171	331	429	**4,443**
Discontinued operations	–	–	–	–	–	–	**–**
Profit for the year	2,552	705	255	171	331	429	**4,443**
Other information at 31 December 2005							
Total assets	260,041	525,203	16,973	1,199	7,293	70,095	**880,804**
Total liabilities	222,567	529,876	50,261	1,136	4,530	48,282	**856,652**
Capital expenditure	594	331	26	41	190	84	**1,266**

	NL	NA	Brazil	NGM	Bouw-fonds	Total C&CC
Net interest income – external	2,638	2,553	2,146	389	910	**8,636**
Net interest income – other segments	147	(284)	18	(26)	(397)	**(542)**
Net commission income – external	626	635	350	192	10	**1,813**
Net commission income – other segments	42	8	2	1	–	**53**
Net trading income	54	94	52	25	–	**225**
Result from financial transactions	–	43	–	6	1	**50**
Results in equity accounted investments	14	4	37	73	17	**145**
Other operating income	163	430	370	47	330	**1,340**
Net sales private equity holdings	–	–	–	–	–	**–**
Total operating income	3,684	3,483	2,975	707	871	**11,720**
Total operating expenses	2,675	2,236	1,730	369	381	**7,391**
Loan impairment and credit risk provisions	277	21	363	67	26	**754**
Total expenses	2,952	2,257	2,093	436	407	**8,145**
Operating profit before taxes	732	1,226	882	271	464	**3,575**
Income tax expense	223	355	238	58	149	**1,023**
Profit from continuing operations	509	871	644	213	315	**2,552**
Discontinued operations	–	–	–	–	–	**–**
Profit for the year	509	871	644	213	315	**2,552**
Other information at 31 December 2005						
Total assets	95,272	90,021	23,663	7,753	43,332	**260,041**
Total liabilities	98,009	77,126	16,984	5,651	24,797	**222,567**
Capital expenditure	262	154	143	25	10	**594**

Business segment information 2004

	C&CC	WCS	PC	AM	PE	GF /GSS	Total Group
Net interest income – external	7,900	841	(472)	(13)	(82)	622	**8,796**
Net interest income – other segments	(1,005)	758	888	17	(33)	(625)	**–**
Net commission income – external	1,697	1,806	521	531	8	2	**4,565**
Net commission income – other segments	52	(78)	23	4	–	(1)	**–**
Net trading income	150	1,138	45	9	3	(36)	**1,309**
Result from financial transactions	(249)	41	1	10	633	472	**908**
Result in equity accounted investments	87	83	14	2	–	20	**206**
Other operating income	1,047	113	59	34	(24)	6	**1,235**
Net sales revenue private equity holdings	–	–	–	–	2,616	–	**2,616**
Total operating income	9,679	4,702	1,079	594	3,121	460	**19,635**
Total operating expenses	6,809	4,783	844	443	2,614	263	**15,756**
Loan impairment and credit risk provisions	585	(8)	–	–	16	23	**616**
Total expenses	7,394	4,775	844	443	2,630	286	**16,372**
Operating profit before taxes	2,285	(73)	235	151	491	174	**3,263**
Income tax expense	677	(72)	66	46	28	25	**770**
Profit from continuing operations	1,608	(1)	169	105	463	149	**2,493**
Discontinued operations	239	1	–	–	–	1,207	**1,447**
Profit for the year	1,847	–	169	105	463	1,356	**3,940**
Other information at 31 December 2004							
Total assets	217,524	428,214	15,355	954	4,770	60,637	**727,454**
Total liabilities	194,531	431,966	45,307	1,113	2,843	35,142	**710,902**
Capital expenditure	710	290	48	6	83	15	**1,152**

	NL	NA	Brazil	NGM	Bouw-fonds	Total C&CC
Net interest income – external	2,482	2,820	1,601	237	760	**7,900**
Net interest income – other segments	26	(593)	(94)	–	(344)	**(1,005)**
Net commission income – external	592	602	313	172	18	**1,697**
Net commission income – other segments	39	8	4	1	–	**52**
Net trading income	36	100	(1)	15	–	**150**
Result from financial transactions	1	(261)	2	6	3	**(249)**
Results in equity accounted investments	32	1	10	44	–	**87**
Other operating income	81	498	149	84	235	**1,047**
Net sales private equity holdings	–	–	–	–	–	**–**
Total operating income	3,289	3,175	1,984	559	672	**9,679**
Total operating expenses	2,790	2,086	1,297	346	290	**6,809**
Loan impairment and credit risk provisions	173	143	219	41	9	**585**
Total expenses	2,963	2,229	1,516	387	299	**7,394**
Operating profit before taxes	326	946	468	172	373	**2,285**
Income tax expense	96	274	167	33	107	**677**
Profit from continuing operations	230	672	301	139	266	**1,608**
Discontinued operations	–	–	–	239	–	**239**
Profit for the year	230	672	301	378	266	**1,847**
Other information at 31 December 2004						
Total assets	86,602	73,340	13,987	5,344	38,251	**217,524**
Total liabilities	86,825	64,075	11,942	3,584	28,105	**194,531**
Capital expenditure	340	238	109	12	11	**710**

Geographical segments

The Group operates principally in the Netherlands, Europe, and North and Latin America. The geographical analysis presented below is based on the location of the Group entity in which the transactions are recorded.

	2005			2004		
	Operating income	Total assets	Capital expenditure	Operating income	Total assets	Capital expenditure
Netherlands	**9,760**	**285,073**	**577**	8,903	267,222	473
Europe	**4,672**	**332,922**	**153**	2,324	254,562	122
North America	**4,287**	**167,128**	**314**	4,905	133,592	391
Latin America	**3,271**	**28,420**	**145**	2,305	18,274	113
Asia Pacific	**1,225**	**67,261**	**77**	1,198	53,804	53
Total	**23,215**	**880,804**	**1,266**	19,635	727,454	1,152

2 Net interest income

	2005	2004
Interest income from:		
Cash and balances at central banks	**348**	218
Financial assets held for trading	**1,559**	1,389
Financial investments	**5,198**	4,190
Loans and receivables – banks	**2,666**	2,083
Loans and receivables – customers	**20,757**	17,454
Subtotal	**30,528**	25,334
Interest expense from:		
Financial liabilities held for trading	**1,054**	976
Due to banks	**5,455**	4,298
Due to customers	**9,749**	7,374
Issued debt securities	**4,212**	2,797
Subordinated liabilities	**997**	1,093
Subtotal	**21,467**	16,538
Total	**9,061**	8,796

3 Net fee and commission income

	2005	2004
Fee and commission income		
Securities brokerage fees	**1,560**	1,548
Payment and transaction services fees	**1,576**	1,449
Asset management and trust fees	**1,153**	1,041
Fees generated on financing arrangements	**180**	158
Advisory fees	**336**	311
Insurance related commissions	**177**	162
Guarantee fees	**218**	160
Other fees and commissions	**427**	436
Subtotal	**5,627**	5,265
Fee and commission expense		
Securities brokerage expense	**321**	281
Payment and transaction services expense	**165**	125
Asset management and trust expense	**127**	126
Other fee and commission expense	**268**	168
Subtotal	**881**	700
Total	**4,746**	4,565

4 Net trading income

	2005	2004
Securities	**978**	179
Foreign exchange transactions	**662**	687
Derivatives	**933**	380
Other	**48**	63
Total	**2,621**	1,309

Interest income and expense on trading positions are included in interest income and expense.

5 Results from financial transactions

	2005	2004
Net gain from the disposal of available-for-sale debt securities	**431**	179
Net gain from the sale of available-for-sale equity investments	**55**	154
Dividend on available-for-sale equity investments	**54**	48
Net gain on other equity investments	**514**	694
Hedging ineffectiveness	**39**	(112)
Other	**189**	(55)
Total	**1,282**	908

The net gain on other equity investments includes gains and losses arising on investments held at fair value and the result on the sale of consolidated holdings of a private equity nature.

6 Other operating income

	2005	2004
Mortgage banking activities (North America)	**208**	234
Property development	**330**	235
Insurance activities	**198**	226
Leasing activities	**60**	63
Result on the disposal of operating activities and equity accounted investments	**347**	187
Other	**445**	290
Total	**1,588**	1,235

Mortgage banking activity income can be analysed as follows:

	2005	2004
Net origination and sale income	**30**	83
Loan servicing income and related fees	**485**	484
Amortisation of mortgage servicing rights (net of derivative income)	**(214)**	(243)
Net servicing hedge gains / (losses)	**(93)**	(90)
Total	**208**	234

The predominant business practice of our North America mortgage banking business is the origination and subsequent sale of fixed-rate consumer mortgage loans to US government-sponsored entities. In most cases a servicing role is retained.

Insurance income can be analysed as follows:

	2005	2004
Premium income	**1,238**	1,303
Investment income	**406**	300
Provision for insured risk	**(1,446)**	(1,377)
Total	**198**	226

7 Personnel expenses

	2005	2004
Salaries (including bonuses and allowances)	**5,915**	5,602
Social security expenses	**740**	620
Pension and post-retirement healthcare costs	**11**	390
Share-based payment expenses	**61**	4
Temporary staff costs	**247**	222
Termination payments	**175**	191
Restructuring related costs **10**	**42**	502
Other employee costs	**340**	287
Total	**7,531**	7,818
Average number of employees (fte):		
Banking activities Netherlands	**27,995**	28,671
Banking activities foreign countries	**69,528**	69,469
Consolidated private equity holdings **40**	**22,201**	17,938
Total	**119,724**	116,078

Included in pension and post-retirement healthcare costs in 2005 is a release of the healthcare provision.

8 General and administrative expenses

	2005	2004
Professional fees	**1,111**	809
Information technology expenses	**930**	829
Property costs	**766**	731
Staff related expenses (including training)	**184**	153
Travel and transport	**312**	268
Stationary and printing expense	**121**	117
Communication and information	**477**	470
Commercial expenses	**571**	424
Expenses of consolidated private equity holdings	**352**	284
Restructuring related costs **10**	**(9)**	179
Sundry expenses	**997**	774
Total	**5,812**	5,038

9 Depreciation and amortisation

	2005	2004
Property depreciation	**148**	156
Equipment depreciation	**543**	519
Software amortisation	**279**	280
Impairment losses on goodwill of private equity investments	**19**	124
Impairment losses on property and equipment	**9**	38
Impairment of property and equipment from restructuring **10**	**4**	109
Other	**19**	9
Total	**1,021**	1,235

This item includes EUR 133 million (2004: EUR 151 million) of depreciation, amortisation and impairments charged by consolidated private equity holdings (see note 40).

10 Restructuring costs

The following table summarises the Group's restructuring costs as included in the relevant cost categories.

	2005	2004
Personnel related costs	**42**	502
Other administrative expenses	**(9)**	179
Impairment of property and equipment	**4**	109
Total	**37**	790

The 2005 charge mainly relates to operations in France. The charge of 2004 relates to Wholesale Clients initiatives and Group Shared Services initiatives for Information Technology and Human Resources.

11 Income tax expense

Recognised in the income statement

	2005	2004
Current tax expense		
Current year	**1,106**	1,186
Under / (over) provided in prior years	**(87)**	(30)
Subtotal	**1,019**	1,156
Deferred tax expense		
Origination and reversal of timing differences	**257**	(373)
Reduction in tax rate	**(35)**	(13)
Subtotal	**222**	(386)
Total	**1,241**	770

The effective tax rate on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Netherlands. The difference can be explained as follows:

(in percentages points)	**2005**	2004
Dutch tax rate	**31.5**	34.5
Effect of tax rate in foreign countries	**(5.0)**	(4.2)
Effect of previously unrecognised tax losses utilised	**(0.8)**	(0.0)
Effect of tax-exempt income in the Netherlands	**(1.2)**	(3.7)
Other	**(2.7)**	(3.0)
Effective tax rate on operating profit	**21.8**	23.6

Recognised directly in equity

(benefits) / charges	**2005**	2004
Relating to currency translation	**(198)**	51
Relating to cash flow hedges	**(235)**	(54)
Relating to available-for-sale assets	**169**	118
Total	**(264)**	115

12 Earnings per share

The calculations for basic and diluted earnings per share are presented in the following table.

	2005	2004
Profit for the year attributable to shareholders of the parent company	**4,382**	3,865
Profit from continuing operations attributable to shareholders of the parent company	**4,382**	2,418
Profit from discontinued operations attributable to shareholders of the parent company	**–**	1,447
Weighted average number of ordinary shares outstanding (in millions)	**1,804.1**	1,657.6
Dilutive effect of staff options (in millions)	**5.2**	3.1
Performance share plan (in millions)	**2.9**	1.0
Diluted number of ordinary shares (in millions)	**1,812.2**	1,661.7
Basic earnings per ordinary share (in euros)	**2.43**	2.33
Fully diluted earnings per ordinary share (in euros)	**2.42**	2.33
Basic earnings per ordinary share from continuing operations (in euros)	**2.43**	1.46
Fully diluted earnings per ordinary share from continuing operations (in euros)	**2.42**	1.46
Basic earnings per ordinary share from discontinued operations (in euros)	**–**	0.87
Fully diluted earnings per ordinary share from discontinued operations (in euros)	**–**	0.87

13 Cash and balances at central banks

This item includes cash on hand and deposits with central banks in countries in which the bank has a presence.

	2005	2004
Cash on hand	**1,590**	1,204
Balances at central bank	**15,067**	16,692
Total	**16,657**	17,896

14 Financial assets and liabilities held for trading

	2005	2004
Financial assets held for trading		
Interest-earning securities:		
• Dutch government	**2,520**	552
• US treasury and US government agencies	**7,843**	5,759
• Other OECD governments	**37,855**	28,409
• Other interest-earning securities	**13,789**	17,114
Subtotal	**62,007**	51,834
Equity instruments	**34,676**	18,409
Derivative financial instruments	**105,372**	96,792
Total	**202,055**	167,035
Financial liabilities held for trading		
Short positions in financial assets	**52,060**	39,059
Derivative financial instruments	**96,528**	90,447
Total	**148,588**	129,506

Gains and losses on derivative financial instruments and changes in fair value of other trading instruments are recognised in net trading income. Interest income and expense from debt and other fixed-income instruments are recognised in net interest income.

Trading portfolio derivative financial instruments

		2005			2004		
			Fair values			Fair values	
		Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate derivatives							
OTC	Swaps	**4,846,112**	**70,644**	**64,527**	3,048,969	56,491	52,373
	Forwards	**220,612**	**80**	**73**	204,118	110	89
	Options (purchased)	**243,296**	**6,072**	**–**	337,359	2,262	–
	Options (sold)	**266,718**	**–**	**6,321**	202,738	–	2,224
Exchange	Futures	**209,197**	**1**	**2**	227,114	20	–
	Options (purchased)	**292**	**3**	**–**	23,884	160	–
	Options (sold)	**293**	**–**	**1**	17,278	–	190
	Subtotal	**5,786,520**	**76,800**	**70,924**	4,061,460	59,043	54,876
Currency derivatives							
OTC	Swaps	**518,012**	**12,356**	**10,431**	428,564	21,933	20,659
	Forwards	**507,385**	**5,004**	**5,661**	438,635	10,702	10,144
	Options (purchased)	**63,835**	**1,524**	**–**	60,016	1,666	–
	Options (sold)	**66,174**	**–**	**1,313**	58,701	–	1,268
Exchange	Futures	**2,855**	**5**	**8**	4,765	4	15
	Options	**7,243**	**71**	**70**	3,554	113	86
	Subtotal	**1,165,504**	**18,960**	**17,483**	994,235	34,418	32,172
Other							
OTC	Equity, commodity and other	**511,791**	**4,747**	**4,589**	124,090	1,458	1,564
	Equity options (purchased)	**24,116**	**3,507**	**–**	10,655	891	–
	Equity options (sold)	**26,987**	**–**	**2,472**	9,665	–	817
Exchange	Equity, commodity and other	**12,389**	**288**	**23**	6,455	76	81
	Equity options (purchased)	**14,848**	**1,070**	**–**	10,833	906	–
	Equity options (sold)	**15,794**	**–**	**1,037**	11,077	–	937
	Subtotal	**605,925**	**9,612**	**8,121**	172,775	3,331	3,399
Total		**7,557,949**	**105,372**	**96,528**	5,228,470	96,792	90,447

For an analysis of the market and liquidity risks involved, please refer to note 38.

15 Financial investments

	2005	2004
Interest-earning securities: available-for-sale		
Dutch government	**2,781**	2,172
US treasury and US government	**6,618**	8,070
Other OECD governments	**51,760**	47,238
Mortgage-backed securities	**12,100**	14,758
Other interest-earning securities	**39,918**	19,930
Subtotal	**113,177**	92,168
Interest-earning securities: held-to-maturity		
Dutch government	**2,136**	2,176
US treasury and US government	**22**	45
Other OECD governments	**3,660**	4,421
Mortgage-backed securities	**36**	26
Other interest-earning securities	**718**	1,002
Subtotal	**6,572**	7,670
Total	**119,749**	99,838
Equity investments		
Available-for-sale	**2,337**	1,610
Designated at fair value through income	**1,688**	1,500
Subtotal	**4,025**	3,110
Total	**123,774**	102,948

Other interest-earning securities include investments in covered bonds. Interest income from debt and other fixed-income instruments is recognised using the effective interest method in interest income. Dividend income from other non-fixed-income instruments is recognised in results from financial transactions.

16 Loans and receivables – banks

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

	2005	2004
Current accounts	**5,479**	3,958
Time deposits placed	**11,613**	11,672
Professional securities transactions **31**	**87,281**	64,375
Loans to banks	**4,279**	3,856
Subtotal	**108,652**	83,861
Allowances for impairment **18**	**(17)**	(3)
Total	**108,635**	83,858

17 Loans and receivables – customers

This item is comprised of amounts receivable, mainly regarding loans and mortgages balances with non-bank customers.

	2005	2004
Public sector	**7,461**	6,059
Commercial	**152,411**	127,044
Consumer	**122,708**	107,124
Professional securities transactions **31**	**74,724**	59,269
Multi-seller conduits	**25,931**	23,700
Subtotal	**383,235**	323,196
Allowances for impairment **18**	**(2,987)**	(3,174)
Total	**380,248**	320,022

The amount receivable held by multi-seller conduits is typically collateralised by a pool of customer receivables in excess of the amount advanced, such that credit risk is very low (see note 38).

The risk management disclosures section on credit risk (see note 38) contains information about the concentration of credit risk by business sector and geographical location, as well as a breakdown of the amounts by type of collateral.

18 Loan impairment charges and allowances

	2005	2004
Balance at 1 January	**3,177**	4,307
Loan impairment charges:		
New impairment allowances	**1,428**	1,259
Reversal of impairment allowances no longer required	**(550)**	(464)
Recoveries of amounts previously written off	**(236)**	(170)
Other credit related charges	**6**	(9)
Total loan impairment and other credit risk provisions	**648**	616
Amount recorded in interest income from unwinding of discounting	**(32)**	(40)
Currency translation differences	**208**	(83)
Amounts written off	**(1,070)**	(1,236)
Disposals of businesses	**–**	(465)
Reserve for unearned interest accrued on impaired loans	**73**	78
Balance at 31 December	**3,004**	3,177

All loans are assessed for potential impairment either individually and / or on a portfolio basis. The allowance for impairment is apportioned as follows:

	2005	2004
Commercial loans	**2,146**	2,598
Consumer loans	**841**	576
Loans to banks	**17**	3
Total	**3,004**	3,177

Loan provisioning-commercial loans

The Group reviews the status of credit facilities issued to commercial clients at least once during the year. Additionally, credit officers continually monitor the quality of the credit, the client and the adherence to contractual conditions. Should the quality of a loan or the borrower's financial position deteriorate to the extent that doubts arise over the borrower's ability to meet their contractual obligations, management of the relationship is transferred to the Financial Restructuring and Recovery function. After making an assessment, Financial Restructuring and Recovery determines the amount, if any, of the specific allowance that should be made, after taking into account the value of collateral. We partly or fully release specific allowance when the debt is repaid or expected future cash flows improve due to positive changes in economic or financial circumstances. Commercial loans are not written off in whole or in part until it is clear that a further partial recovery can be ruled out.

Loan provisioning-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 carried out on a portfolio basis, with a specific provision for each product being determined by the portfolio's size and loss experience.

Our consumer loan portfolio policy states that, in general, when interest or principal on a consumer loan is 90 days or more past due, such loans are classified as non-performing.

Provisions for a given portfolio may be released where there is improvement in the quality of the portfolio. For consumer loans, our write-off rules are time-based and vary by type of product. For example, unsecured facilities, such as credit cards and personal loans, are generally written off at 180 days past due and cash-backed and debt and/or equity-backed facilities are generally written off at 90 days past due.

Allowance for incurred but not identified losses

In addition to impairment allowances calculated on a specific or portfolio basis, the Group also maintains an allowance to cover undetected impairments expected to exist within loans due to changes in economic conditions and delays in obtaining information that indicate that losses exist at the balance sheet date.

19 Equity accounted investments

	2005	2004
Banking institutions	**2,885**	1,257
Other activities	**108**	171
Total	**2,993**	1,428

Balance at 1 January	**1,428**	1,443
Movements:		
• Purchases	**1,554**	6
• Sales / reclassifications	**(265)**	(108)
• Share in results of equity accounted investments	**280**	206
• Dividends received from equity accounted investments	**(63)**	(59)
• Currency translation differences	**31**	(13)
• Other	**28**	(47)
Balance at 31 December	**2,993**	1,428

Purchases in 2005 include our increased stake in Banca Antonveneta (see note 44). During 2005 our investment in Kereskedelmi és Hitelbank Rt. has been reclassified to available-for-sale assets upon the loss of significant influence.

Included in the Group's cash flow hedging and available-for-sale reserve is EUR 95 million of unrealised gains relating to equity accounted investments.

Investments with a book value of EUR 2,345 million (2004: EUR 738 million) that are traded on a recognised stock exchange had a combined market value of EUR 3,399 million (2004: EUR 1,379 million)

Amounts receivable from and payable to equity accounted investments included in the various balance sheet items totalled:

	2005	2004
Loans and receivables – banks	**1,151**	6
Loans and receivables – customers	**495**	134
Due to banks	**138**	171
Due to customers	**246**	279

The principal equity accounted investments of the Group on an aggregated basis (not adjusted for the Group's proportionate interest) have the following balance sheet and income statements totals:

	2005	2004
Total assets	**192,927**	196,001
Total liabilities	**180,577**	185,449
Total operating income	**8,887**	8,751
Profit before tax	**1,524**	834

20 Property and equipment

The book value of property and equipment in 2005 and 2004 changed as follows:

	Property			
	Used in operations	Other	Equipment	Total
Balance at 1 January 2005	2,994	2,677	1,502	7,173
Movements:				
• Business combinations	308	24	508	840
• Divestment of businesses	(36)	(190)	(186)	(412)
• Additions	381	1,196	460	2,037
• Disposals	(295)	(724)	(45)	(1,064)
• Impairment losses	(13)	(43)	(1)	(57)
• Depreciation	(148)	–	(543)	(691)
• Currency translation differences	149	39	96	284
Balance at 31 December 2005	3,340	2,979	1,791	8,110
Representing:				
Cost	4,802	3,091	3,801	11,694
Cumulative impairment	(48)	(103)	(2)	(153)
Cumulative depreciation	(1,414)	(9)	(2,008)	(3,431)

	Property			
	Used in operations	Other	Equipment	Total
Cost	4,291	2,695	11,378	18,364
Cumulative impairments	(25)	(46)	–	(71)
Cumulative depreciation	(1,191)	(6)	(1,520)	(2,717)
Balance at 1 January 2004	3,075	2,643	9,858	15,576
Movements:				
• Business combinations	184	112	128	424
• Divestment of businesses	(187)	(380)	(8,268)	(8,835)
• Additions	282	1,156	535	1,973
• Disposals	(98)	(827)	(206)	(1,131)
• Impairment losses	(38)	(25)	–	(63)
• Depreciation	(154)	(2)	(519)	(675)
• Currency translation differences	(70)	–	(26)	(96)
Balance at 31 December 2004	2,994	2,677	1,502	7,173
Representing:				
Cost	4,417	2,748	3,230	10,395
Cumulative impairment	(35)	(63)	–	(98)
Cumulative depreciation	(1,388)	(8)	(1,728)	(3,124)

The Group leases equipment under a number of finance lease agreements. At 31 December 2005 the net carrying amount of leased equipment included in property and equipment was EUR 23 million (2004: EUR 22 million).

The Group also leases out various assets under operating leases. Non-cancellable operating lease rentals are as follows:

	2005	2004
Less than one year	**27**	18
Between one and five years	**100**	137
More than five years	**30**	40
	157	195

During the year ended 31 December 2005, EUR 60 million (2004: EUR 64 million) was recognised as rental income in the income statement and EUR 51 million (2004: EUR 50 million) in respect of directly related expenses.

Development property

Included in other property is development property relating to Bouwfonds consisting of land and construction in progress for a total amount of EUR 2,113 million (2004: EUR 1,879 million).

Investment property

Other property includes investment property within Bouwfonds for an amount of EUR 463 million (2004: EUR 336 million). The gross rental income on investment property equals EUR 33 million (2004: EUR 23 million) and the direct operating expenses are EUR 4 million (2004: EUR 2 million).

Impairment losses in other property mainly relates to development property of Bouwfonds.

21 Goodwill and other intangible assets

	2005	2004
Private equity goodwill	**2,128**	877
Other goodwill	**198**	67
Software	**758**	602
Other intangibles	**99**	93
Subtotal	**3,183**	1,639
Mortgage servicing rights	**1,985**	1,504
Total	**5,168**	3,143

The book value of goodwill and other intangibles, excluding mortgage servicing rights, changed as follows:

	Private equity goodwill	Other goodwill	Software	Other intangibles	Total
Balance at 1 January 2005	877	67	602	93	1,639
Movements:					
• Business combinations	1,281	35	5	51	1,372
• Divestments of businesses	(91)	(2)	(14)	(70)	(177)
• Other additions	80	97	425	42	644
• Disposals	–	–	(9)	–	(9)
• Impairments	(19)	–	(1)	–	(20)
• Amortisation	–	–	(279)	(18)	(297)
• Currency translation differences	–	1	29	1	31
Balance at 31 December 2005	2,128	198	758	99	3,183
Representing:					
Cost	2,271	200	1,572	120	4,163
Cumulative impairment	(143)	(2)	(15)	–	(160)
Cumulative amortisation	–	–	(799)	(21)	(820)

	Private equity goodwill	Other goodwill	Software	Other intangibles	Total
Balance at 1 January 2004	757	–	625	95	1,477
Movements:					
• Business combinations	394	67	16	19	496
• Divestments of businesses	(150)	–	(32)	(21)	(203)
• Other additions	–	–	335	4	339
• Disposals	–	–	(50)	–	(50)
• Impairment losses	(124)	–	(17)	–	(141)
• Amortisation	–	–	(282)	(4)	(286)
• Currency translation differences	–	–	7	–	7
Balance at 31 December 2004	877	67	602	93	1,639
Representing:					
Cost	1,001	69	1,409	96	2,575
Cumulative impairment	(124)	(2)	(17)	–	(143)
Cumulative amortisation	–	–	(790)	(3)	(793)

The net book amount of mortgage servicing rights changed as follows:

	2005	2004
Balance at 1 January	**1,504**	1,434
Additions	**611**	558
Amortisation	**(291)**	(413)
Hedge accounting adjustment	**(86)**	55
Currency translation differences	**247**	(130)
Balance at 31 December	**1,985**	1,504

At the end of December 2005 and 2004 the book value of MSRs was lower than fair value, so no impairment adjustments are required. The fair value of MSRs at 31 December 2005 amounted to EUR 2,258 million (2004: EUR 1,724 million). The valuation of MSRs, because of the inherent uncertainties involved, requires judgement. Economic factors considered in estimating the fair value of MSRs include interest rates, discount rates, prepayment speeds, geographic characteristics, servicing costs and ancillary income. Mortgage loan prepayment rates are revised monthly, and are derived from a third-party model. In addition, management uses valuations by various third-party brokers to compare its valuation assessments with market data.

22 Other assets

	2005	2004
Deferred tax assets **29**	**2,682**	2,956
Current tax assets	**337**	579
Derivatives assets used for hedging **36**	**3,213**	2,292
Mortgages originated for-sale	**4,311**	3,124
Unit-linked investments held for policyholder accounts	**3,624**	2,964
Pension assets **27**	**119**	74
Other assets of consolidated private equity holdings, including inventories	**1,531**	1,156
Sundry assets and other receivables	**9,733**	5,066
Total	**25,550**	18,211

Mortgages originated-for-sale and unit-linked investments held for policyholders are designated at fair value with changes through income. Mortgages originated for-sale are originated by our mortgage banking business in North America.

Sundry assets include insurance related deposits and other short-term receivables. The 2005 amount also includes EUR 2,100 million relating to unsettled purchases of Banca Antonveneta shares.

23 Due to banks

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

	2005	2004
Professional securities transactions **31**	**71,231**	56,351
Current accounts	**23,573**	18,378
Time deposits	**63,836**	50,944
Advances from Federal Home Loan banks	**7,239**	6,215
Other	**1,942**	1,641
Total	**167,821**	133,529

This balance includes EUR 19,932 million (2004: EUR 16,986 million) with central banks.

24 Due to customers

This item comprises amounts due to non-banking customers.

	2005	2004
Consumer current accounts	**21,502**	19,817
Commercial current accounts	**67,133**	61,637
Consumer savings accounts	**84,166**	74,256
Commercial deposit accounts	**87,099**	73,466
Professional securities transactions **31**	**48,982**	44,782
Other	**8,201**	7,421
Total	**317,083**	281,379

25 Issued debt securities

	2005		2004	
	Effective rate %		Effective rate%	
Bonds and notes issued	**3.2**	**90,050**	3.0	61,485
Certificates of deposit and commercial paper	**2.9**	**51,873**	2.1	32,326
Cash notes, savings certificates and bank certificates	**4.2**	**2,657**	3.3	3,721
Subtotal		**144,580**		97,532
Commercial paper issued by multi-seller conduits	**3.4**	**26,039**	3.0	23,700
Total		**170,619**		121,232

Bonds are issued in the capital markets with a focus on the Euro market and are denominated mostly in euro and US dollars. The commercial paper programmes are issued globally with the majority issued in the United States and Europe. The other debt securities are instruments used in markets in which ABN AMRO is active and are usually denominated in local currencies. Of the total amount, EUR 60 billion (2004: EUR 30 billion) are variable interest bearing securities. EUR 16.5 billion (2004: EUR 7.6 billion) of issued debt of a fixed rate nature has been designated in fair value hedge relationships.

Currency

	2005	2004
EUR	**77,660**	76,577
USD	**75,243**	33,476
Other	**17,716**	11,179
Total	**170,619**	121,232

Included in the balance above are various structured liabilities that have been designated at fair value through income due to the inclusion of embedded derivative features. These liabilities had a fair value at 31 December 2005 of EUR 2,815 million (2004: EUR 2,337 million) and an amortised cost value of EUR 2,882 million (2004: EUR 2,331 million).

Maturity analysis

	2005	2004
Within one year	**102,368**	66,239
After one and within two years	**11,770**	9,016
After two and within three years	**7,175**	9,053
After three and within four years	**7,521**	5,334
After four and within five years	**8,082**	7,405
After five years	**33,703**	24,185
Total	**170,619**	121,232

26 Provisions

	2005	2004
Provision for pension commitments **27**	**942**	1,218
Provision for contributions to post-retirement healthcare **27**	**101**	524
Other staff provision	**459**	448
Insurance fund liabilities	**3,169**	3,111
Restructuring provision	**501**	752
Other provisions	**1,239**	880
Total	**6,411**	6,933

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

	Other staff provisions	Restructuring	Other provisions
Balance at 1 January 2005	448	752	880
Movements:			
• Additions from income statement	316	33	513
• Expenses charged to provisions	(320)	(298)	(289)
• Acquisitions / disposals	–	–	28
• Currency translation differences	15	14	107
Balance at 31 December 2005	459	501	1,239

	Other staff provisions	Restructuring	Other provisions
Balance at 1 January 2004	357	181	814
Movements:			
• Additions from income statement	332	681	265
• Expenses charged to provisions	(256)	(109)	(219)
• Acquisitions / disposals	(6)	–	(45)
• Currency translation differences	(9)	(1)	3
• Other	30	–	62
Balance at 31 December 2004	448	752	880

The change in 2004 relates to Wholesale Clients initiatives and Group Shared Services initiatives for Information Technology and Human Resources. The majority of savings are expected to materialise in 2007.

Insurance Fund Liabilities movement are as follows:

	2005	2004
Balance at 1 January	**3,111**	2,640
• Premium carried from income statement	**294**	603
• Claims paid	**(14)**	(255)
• Interest	**34**	33
• Acquisitions / disposals	**(637)**	–
• Changes in estimates and other movements	**97**	93
• Currency translation differences	**284**	(3)
Balance at 31 December	**3,169**	3,111

27 Pension and other post-retirement employee benefits

Pension costs and contributions for post-retirement healthcare borne by the Group are included in personnel expenses and are shown in the following table:

	Pension		Healthcare	
	2005	2004	2005	2004
Service cost	**320**	306	**24**	18
Interest cost	**510**	506	**39**	32
Expected return on plan assets	**(585)**	(566)	**(5)**	(3)
Net amortisation of net actuarial (gain) / loss	**1**	–	**9**	–
Net amortisation of prior-service cost	**1**	–	**–**	–
(Gain) / loss on curtailment or settlements	**(11)**	19	**(453)**	(1)
Defined benefit plans	**236**	265	**(386)**	46
Defined contribution plans	**161**	79	**–**	–
Total costs	**397**	344	**(386)**	46

Liability for defined benefit obligations

The Group makes contributions to 58 defined benefit plans that provide pension benefits for employees upon retirement. The amounts recognised in the balance sheet are as follows:

	Pension		Healthcare	
	2005	2004	2005	2004
Present value of funded obligations	**12,316**	10,644	**88**	106
Present value of unfunded obligations	**87**	71	**51**	654
Less fair value of plan assets	**10,212**	8,754	**63**	46
Present value of net obligations	**2,191**	1,961	**76**	714
Unrecognised prior year service cost	**(10)**	–	**–**	–
Unrecognised actuarial (losses) / gains	**(1,400)**	(861)	**25**	(190)
Unrecognised assets	**42**	44	**–**	–
Net recognised liability for defined benefit obligations	**823**	1,144	**101**	524

Included in the net recognised liability for pension is a pension asset of EUR 119 million (2004: EUR 74 million).

Movements in the net liability / asset recognised in the balance sheet are as follows:

	Pension		Healthcare	
	2005	2004	**2005**	2004
Net liability at 1 January	**1,144**	1,399	**524**	503
Acquisition / disposals	**(1)**	48	**–**	18
Contributions paid	**(572)**	(573)	**(56)**	(17)
Expense recognised in the income statement	**236**	265	**(386)**	46
Currency translation differences	**16**	5	**19**	(26)
Net liability at 31 December	**823**	1,144	**101**	524

Explanation of the asset and liability

The following tables summarise the changes in benefit obligations and plan assets of the main pension plans and other employee benefit plans.

Movements in projected benefit obligations:

	Pension		Healthcare	
	2005	2004	**2005**	2004
Balance at 1 January	**10,715**	9,307	**760**	561
• Service cost	**320**	306	**24**	18
• Interest cost	**510**	506	**39**	32
• Employee contributions / refunds	**15**	14	**–**	–
• Actuarial (gain) / loss	**925**	962	**45**	192
• Benefits paid	**(312)**	(300)	**(50)**	(17)
• Acquisitions / disposals	**(1)**	(85)	**–**	–
• Plan amendments	**2**	7	**–**	–
• Settlement / curtailment	**(25)**	(4)	**(707)**	–
• Currency translation differences	**212**	(14)	**28**	(26)
• Other	**42**	16	**–**	–
Balance at 31 December	**12,403**	10,715	**139**	760

Movements in fair value of plan assets:

	Pension		Healthcare	
	2005	2004	**2005**	2004
Balance at 1 January	**8,754**	7,988	**46**	44
• Actual return on plan assets	**984**	629	**2**	5
• Employee contributions / refunds	**15**	14	**–**	–
• Employer's contribution	**572**	573	**9**	17
• Benefits paid	**(298)**	(285)	**(3)**	(2)
• Acquisitions / disposals	**–**	(133)	**–**	(18)
• Currency translation differences	**195**	(19)	**9**	–
• Recognised settlement / curtailment	**(10)**	–	**–**	–
• Other	**–**	(13)	**–**	–
Balance at 31 December	**10,212**	8,754	**63**	46

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:

	2005	2004
Pensions		
• Discount rate	**4.3%**	4.7%
• Expected increment in salaries	**2.4%**	2.6%
• Expected return on investments	**6.2%**	7.0%
Healthcare		
• Discount rate	**7.8%**	5.2%
• Average rise in the costs of healthcare	**9.5%**	6.8%

The expected return on investments regarding pension obligations is weighted on the basis of the fair value of these investments. The average rise in cost of healthcare is weighted on the basis of the healthcare cost of 2005. All other assumptions are weighted on the basis of the defined benefit plan obligations.

For the pension plans the target and actual allocation of the plan assets are as follows:

Allocation of plan assets

	Target allocation 2005	Actual allocation 2005	Actual allocation 2004
Plan asset category			
• Equity securities	**49.1%**	**52.8%**	47.7%
• Issued debt securities	**50.7%**	**45.3%**	50.2%
• Real estate	**0.0%**	**0.1%**	0.2%
• Other	**0.2%**	**1.8%**	1.9%
Total	**100.0%**	**100.0%**	100.0%

Plan assets for 2005 and 2004 do not include investments in ordinary shares, debt issued or property occupied by the Group.

Forecast of pension benefits payments

2006	318
2007	330
2008	340
2009	355
2010	363
Years after 2010	2,185

The Group's expected contribution to be paid to defined pension schemes in 2006 is EUR 598 million.

28 Other liabilities

	2005	2004
Deferred tax liabilities **29**	**2,471**	2,457
Current tax liabilities	**1,032**	1,612
Derivatives liabilities used for hedging **36**	**4,712**	3,311
Liability to unit-linked policyholders	**3,624**	2,964
Other liabilities of consolidated private equity holdings	**768**	575
Sundry liabilities and other payables	**6,116**	2,643
Total	**18,723**	13,562

29 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	2005	2004	**2005**	2004	**2005**	2004
Property and equipment	**44**	104	**155**	169	**(111)**	(65)
Intangible assets including goodwill	**341**	333	**–**	–	**341**	333
Derivatives	**52**	140	**330**	543	**(278)**	(403)
Investment securities	**127**	205	**146**	356	**(19)**	(151)
Employee benefits	**471**	311	**12**	2	**459**	309
Servicing rights	**–**	–	**613**	460	**(613)**	(460)
Allowances for loan losses	**762**	642	**42**	35	**720**	607
Leasing	**–**	–	**469**	399	**(469)**	(399)
Tax credits	**77**	89	**–**	–	**77**	89
Other	**317**	783	**193**	161	**124**	622
Tax value of carry-forward losses recognised	**637**	550	**511**	332	**126**	218
Subtotal	**2,828**	3,157	**2,471**	2,457	**357**	700
Valuation allowance	**(146)**	(201)	**–**	–	**(146)**	(201)
Total	**2,682**	2,956	**2,471**	2,457	**211**	499

Unrecognised deferred tax assets

Deferred tax assets that have not been recognised in respect of carry forward losses amount to EUR 252 million (2004: EUR 202 million). Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from them.

Expiration of carry-forward losses

At 31 December 2005 carry-forward losses expire as follows:

2006	448
2007	435
2008	645
2009	101
2010	181
Years after 2010	1,158
Total	2,968

Tax exposure to distributable reserves

ABN AMRO considers approximately EUR 2.1 billion in distributable invested equity of foreign operations to be permanently invested. If retained earnings were to be distributed, no foreign income taxes would have to be paid. The estimated impact of foreign withholding tax is EUR 9 million (2004: EUR 223 million).

30 Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of, respectively, ABN AMRO Holding N.V, ABN AMRO Bank N.V. and other Group companies. These liabilities qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for the Dutch central bank.

The maturity profile of subordinated liabilities is as follows:

	2005	2004
Within one year	**1,156**	1,086
After one and within two years	**1,452**	1,115
After two and within three years	**704**	1,364
After three and within four years	**1,550**	668
After four and within five years	**1,395**	1,546
After five years	**12,815**	10,908
Total	**19,072**	16,687

The average interest rate on subordinated liabilities was 5.4% (2004: 5.6%). Subordinated liabilities as at 31 December 2005 denominated in euros amounted to EUR 9,240 million (2004: EUR 8,866 million) and in US dollars an amount of EUR 9,745 million (2004: EUR 7,731 million). EUR 5,703 million (2004: EUR 2,952 million) is of a variable interest rate nature.

The following table analyses the subordinated liabilities by issuer:

Breakdown of debt raised by entity

	2005	2004
ABN AMRO Holding N.V. financing preference shares	**768**	768
ABN AMRO Bank N.V.	**13,051**	10,598
Other Group companies	**5,253**	5,321
Total	**19,072**	16,687

Total subordinated liabilities include EUR 5,261 million (2004: EUR 4,657 million) which qualify as tier 1 capital for capital adequacy purposes.

31 Professional securities transactions

Professional security transactions include balances relating to reverse repurchase activities, cash collateral on securities borrowed and security settlement accounts. The Group minimises credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

	2005		2004	
	Banks	Customers	Banks	Customers
Assets				
Cash advanced under securities borrowing	**662**	**29,811**	2,348	28,990
Reverse repurchase agreements	**83,260**	**29,548**	59,045	24,663
Unsettled securities transactions	**3,359**	**15,365**	2,982	5,616
Total	**87,281**	**74,724**	64,375	59,269
Liabilities				
Cash received under securities lending	**1,715**	**7,616**	1,225	5,115
Repurchase agreements	**65,891**	**26,982**	51,833	30,681
Unsettled securities transactions	**3,625**	**14,384**	3,293	8,986
Total	**71,231**	**48,982**	56,351	44,782

Under reverse repurchase, securities borrowing, and other collateralised arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others.

	2005	2004
Securities received under reverse repurchase and / or securities borrowing arrangements which can be repledged or resold	**66,676**	63,618
Of the above amount, the amount that has either been repledged or otherwise transferred to others in connection with the Group's financing activities or to satisfy its commitments under short sale transactions	**27,329**	42,169

32 Securitisations and assets pledged as security

Details of the carrying amounts of assets pledged as collateral are as follows:

	2005	2004
Cash and balances at central banks	**10,737**	7,367
Financial investments	**12,074**	15,945
Loans and receivables – customers	**32,656**	32,326
Total	**55,467**	55,638

These assets have been pledged in respect of the following liabilities and contingent liabilities:

	2005	2004
Due to banks	**17,782**	15,889
Due to customers	**4,266**	3,940
Issued debt securities	**21,440**	15,550
Total	**43,488**	35,379

Securitisation

Sale transactions

Included in the above pledged assets is an amount of EUR 6,290 million (2004: EUR 7,786 million) sold to SPEs in which the Group has the majority of the risks and rewards. Thus the assets continue to be recognised on consolidation.

Synthetic transactions

In addition the Group has synthetic securitisations for an amount of EUR 59,255 million (2004: EUR 17,826 million). Through a synthetic securitisation the Group is able to buy protection without actual transference of any assets to a SPE. In general, the Group as the owner of the assets, buys protection to transfer the credit risk of a portfolio of assets to another entity that sells the protection. Although the credit risk of the portfolio is transferred, actual ownership of the portfolio of assets remains with the Group.

Credit default swaps

In addition to the transactions mentioned above, the Group also uses credit default swaps to reduce credit risk for parts of the loan portfolio by selling these risks directly to the capital markets. At 31 December 2005 the Group has bought credit protection for an amount of EUR 30,352 million (2004: EUR 13,661 million).

Derecognition

Though the Group has sold a part of its loan portfolio in North America, it still holds legal title to some of these loans. In most cases these loans are also serviced by the Group. The bank also services loans originated by other institutions. The following table states the total outstandings at 31 December 2005.

Transaction type

	2005	2004
Legal title to loans sold	**136**	954
Loans serviced for third parties	**160,654**	139,763

33 Commitments and contingent liabilities

Loan and banking commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans, overdraft facilities and credit card limits. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any particular period. The Group also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

	2005	2004
Committed credit facilities	**141,010**	145,009
Contingent liabilities with respect to guarantees granted	**41,536**	42,399
Contingent liabilities with respect to irrevocable letters of credit	**4,485**	4,066

Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Aside from the items stated above, 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 are applicable to Group companies in various countries. Furthermore, statements of liability have been issued for a number of Group companies.

Capital expenditure and commitments

For 2006, capital expenditure is forecast at EUR 1.3 billion, of which the Group is already committed to an amount of EUR 243 million. These commitments are expected to be settled in the following financial year.

Leases as lessee

Operating lease rentals are payable as follows:

Less than one year	255
Between one and five years	614
More than five years	912
	1,781

During 2005, EUR 303 million (2004: EUR 339 million) of operating lease expense and EUR 48 million (2004: EUR 12 million) of sublease income was recognised in income.

Other contingencies

Legal proceedings have been initiated against the Group in a number of jurisdictions, but on the basis of information currently available, and having taken legal counsel, the Group is of the opinion that the outcome of these proceedings net of any related insurance claims is unlikely to have a material adverse effect on the consolidated financial position and the consolidated profit of the Group.

34 Asset management

The Group provides asset management services to individuals, trusts, retirement benefit plans and other institutions. These services involve holding and managing assets or investing received funds in various financial investments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the consolidated balance sheet. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2005 the total assets managed by the Group on behalf of customers were EUR 176.2 billion (2004: EUR 160.7 billion).

35 Cash flow statement

	2005	2004
Determination of cash and cash equivalents:		
Cash and balances at central banks	**16,657**	17,896
Loans and receivables – banks	**5,455**	3,954
Due to banks	**(16,069)**	(13,247)
Cash and cash equivalents	**6,043**	8,603

The following table analyses movements resulting from acquisitions and disposals:

	2005	2004
Amounts paid / received in cash and cash equivalents on acquisitions / disposals of subsidiaries	**366**	(173)
Net movement in assets and liabilities:		
Financial assets held for trading	**(131)**	–
Financial investments	**(112)**	–
Loans and receivables – banks	**(866)**	–
Loans and receivables – customers	**186**	(4)
Property and equipment	**396**	108
Other assets	**1,109**	366
Total assets	**582**	470
Due to banks	**1,514**	281
Due to customers	**(812)**	108
Issued debt securities	**–**	21
Accruals and deferred income	**57**	56
Subordinated liabilities	**45**	56
Other liabilities	**(192)**	(96)
Total liabilities	**612**	426
Cash flows from operating activities include:		
Interest received	**29,388**	25,154
Interest paid	**21,456**	16,659
Dividends received	**158**	170
Income taxes paid	**(1,056)**	(511)

The cash flows from discontinued operations represents operating cash flows of EUR 207 million and investing cash flows of EUR 2,526.

36 Hedge accounting

The Group enters into various derivative instrument transactions to hedge risks on assets, liabilities, net investments and forecasted cash flows. The accounting treatment of the hedged item and the hedging derivative is dependent on whether the hedge relationship qualifies for hedge accounting. Qualifying hedges may be designated as either fair value or cash flow hedges. During 2005 and 2004 there were no transactions that failed the hedge accounting criteria due to ineffectiveness exceeding the relevant limits.

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly through income.

Derivatives designated and accounted for as hedging instruments

Fair value hedges

The Group's fair value hedges principally consist of interest rate swaps, interest rate options and cross currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate assets, noteably available-for-sale securities and MSRs, and liabilities due to changes in market interest rates.

For qualifying fair values hedges, changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Cash flow hedges of variable rate assets and liabilities

The Group is exposed to variability in future interest cash flows for assets and liabilities with variable interest rates or which are expected to be refunded or reinvested in the future. The amounts and timing of cash flows are projected for each portfolio of financial assets and liabilities, taking the contractual terms, estimated prepayments and potential defaults into consideration. For qualifying cash flow hedges, the effective portion of the change in the fair value of the hedge instrument is recorded in the cash flow hedge reserve and recognised in the income when the hedged item occurs. The ineffective portions of designated cash flow hedges are recorded in income immediately. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in the hedge reserve is recognised when the cash flows that were hedged occur, consistent with the original hedge strategy. Gains and losses on derivatives reclassified from the cash flow hedge reserve to income are included in net interest income.

The Group's main cash flow hedge programmes are operated by Group Asset and Liability management and our business in North America.

Hedges of net investments in foreign operations

As explained in note 38, the Group limits its exposure to investments in foreign operations by hedging its net investment in its foreign operations with forward foreign exchange contracts in the currency of the foreign operations or a closely correlated currency to mitigate foreign exchange risk.

For qualifying net investment hedges, changes in the fair value of the derivative are recorded in the currency translation differences reserve within equity.

Hedges not qualifying for hedge accounting

Derivatives that are entered into for risk management purposes but are not designated for hedge accounting are fair valued through income. Due to difficulties in satisfying the IFRS hedging criteria, this includes a number of credit derivatives used to hedge credit risk.

Overview of the fair value of hedging derivatives

	2005		2004	
	Positive	Negative	Positive	Negative
Qualifying for hedge accounting				
Fair value hedges				
Interest				
Swaps	**2,142**	**2,133**	1,423	1,406
Options and futures	**–**	**940**	–	547
Foreign currency				
Swaps	**464**	**289**	95	330
Forwards	**2**	**2**	–	–
Cash flow hedges				
Interest				
Swaps	**452**	**1,283**	197	832
Foreign currency				
Swaps	**63**	**–**	2	–
Forwards	**4**	**–**	511	–
Subtotal hedge accounting	**3,127**	**4,647**	2,228	3,115
Not designated for hedge accounting	**86**	**65**	64	196
Total	**3,213**	**4,712**	2,292	3,311

Notional amounts

	2005	2004
Interest rate risk	**224,871**	117,286
Foreign currency risk	**142,222**	114,270
Credit risk	**30,352**	13,661

Cash flow hedges

Details of gains and losses during the year on cash flow hedges that have been recognised directly in equity or transferred from equity to income are set out in the statement of changes in equity.

The amount recognised in the cash flow hedging reserve at 31 December 2005, relates to cash flows expected to occur within three months to approximately ten years of the balance sheet date, with the main portion expected to occur within five years. Accordingly this amount, unless impacted by rate changes, will be recognised in income through fixed coupon payments of the derivative or by amortisation over a period of approximately five years.

37 Fair value information

Determination of fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market prices or market rates are used to determine fair value where an active market exists (such as a recognised stock exchange), as it is the best evidence of the fair value of a financial instrument.

Market prices are not, however, available for all financial assets and liabilities held and issued by the Group. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet dates.

Valuation techniques are generally applied to OTC derivatives, unlisted trading portfolio assets and liabilities, and unlisted financial investments (including private equity investments). The most frequently applied pricing models and valuation techniques include forward pricing and swap models using present value calculations, option models such as the Black and Scholes model, and credit models such as default rate models or credit spread models.

The values derived from applying these techniques can be significantly affected by the choice of valuation model used and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility, and credit risk.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments carried at fair value:

a assets and liabilities held for trading are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or other recognised valuation techniques

b financial investments classified as available for sale (interest-earning securities and equities) are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unrealised gains and losses, excluding impairment, are recorded in Shareholders' equity until an asset is sold, collected or otherwise disposed of

c in general private equity investments fair values cannot be obtained directly from quoted market prices, or by using valuation techniques supported by observable market prices or rates. The fair value is estimated indirectly using valuation techniques or models for which the inputs are reasonable assumptions, based on market conditions. Valuation techniques applied are in accordance with EVCA (European Private Equity and Venture Capitalist Association) guidelines.

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value:

	Valuation techniques			
	Quoted market price	Market observable	Non-market observable	Total
Financial assets				
Financial assets held for trading	97,026	103,683	1,346	202,055
Available-for-sale interest earning securities	113,177	–	–	113,177
Available-for-sale equities	1,016	391	930	2,337
Equities designated at fair value through income	445	–	1,243	1,688
Other assets – derivatives held for hedging	–	3,213	–	3,213
Other assets – unit-linked investments	3,624	–	–	3,624
Other assets – mortgages originated-for-sale	–	4,311	–	4,311
Total assets at fair value	215,288	111,598	3,519	330,405
Financial liabilities				
Financial liabilities held for trading	52,410	95,570	608	148,588
Issued debt	–	2,815	–	2,815
Other liabilities – unit-linked liability	3,624	–	–	3,624
Other liabilities – derivatives held for hedging	–	4,712	–	4,712
Total liabilities at fair value	56,034	103,097	608	159,739

Sensitivity of fair values

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by observable market prices or rates. The models used in these situations undergo an internal validation process before they are certified for use. Any related model valuation uncertainty is quantified, and deducted from the fair values produced by the models. Management believes the resulting estimated fair values recorded in the balance sheet and the changes in fair values recorded in the income statement are reasonable, and are the most appropriate values at the balance sheet date.

The potential effect of using reasonably possible alternative assumptions as inputs to valuation models, relying on non market-observable inputs, has been estimated as a reduction of approximately EUR 150 million using less favourable assumptions, and an increase of approximately EUR 175 million using more favourable assumptions.

The total amount of the change in fair value estimated using a valuation technique that was recognised in the profit and loss account for the year 2005 amounts to EUR 1,354 million (2004: EUR 1,111 million).

Assets and Liabilities elected at fair value

The Group has elected to fair value non-controlling private equity investments, mortgages originated-for-sale and certain structured notes. The changes in fair value recognised in income on these assets and liabilities was a gain of EUR 401 million. Changes in the fair value of liabilities do not include any amount arising from changes in the Group's own credit risk.

Financial assets and liabilities not carried at fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instrument carried at cost:

a the carrying amount of assets maturing within 12 months is assumed to approximate their fair value
b the fair value of demand deposits and savings accounts (included in due to customers) with no specific maturity is assumed to be the amount payable on demand at the balance sheet date
c the fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the allowances for credit losses from both carrying amounts and fair values
d the fair value of fixed-rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amounts of the allowances for credit losses from both carrying amounts and fair values.

The following table compares the carrying amount of financial assets and liabilities measured at cost to estimated fair values:

	2005			2004		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Interest earning securities – held-to-maturity	**6,572**	**6,717**	**145**	7,670	7,905	235
Loans and receivables – banks	**108,635**	**109,248**	**613**	83,858	84,378	520
Loans and receivables – customers	**380,248**	**383,547**	**3,299**	320,022	325,590	5,568
Total	**495,455**	**499,512**	**4,057**	411,550	417,873	6,323
Financial liabilities						
Due to banks	**167,821**	**168,469**	**(648)**	133,529	133,940	(411)
Due to customers	**317,083**	**317,714**	**(631)**	281,379	282,266	(887)
Issued debt securities	**170,619**	**173,086**	**(2,467)**	121,232	122,583	(1,351)
Subordinated liabilities	**19,072**	**19,551**	**(479)**	16,687	17,333	(646)
Total	**674,595**	**678,820**	**(4,225)**	552,827	556,122	(3,295)

38 Financial risk management and use of derivatives

This section provides details of the Group's financial risk management objectives and policies and describes the methods used by management to control risk. In addition this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served.

Financial risk management and control

Risks of financial instruments

The most important types of risk associated with financial instruments to which the Group is exposed are:

- credit risk
- market risk (including currency risk, interest rate risk, equity price risk and commodity risk of the trading book)
- interest rate risk (non-trading)
- currency risk (non-trading)
- liquidity risk.

Below is a discussion of the various risks the Group is exposed to as a result of its activities and the approach taken to manage those risks.

Credit risk

Measurement and control

The Group is subject to credit risk through its lending, trading, hedging and investing activities as well as in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

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

The Group's primary exposure to credit risk arises through its loans, credit facilities and guarantees issued. The Group is also exposed to credit risk on various other financial assets, including financial investments (interest earning securities), loans and receivables from banks, financial assets held for trading (interest earning securities and derivatives) and derivatives used for hedging.

The risk that counterparties might default on their obligations is monitored on an ongoing basis. For each transaction the Group evaluates whether collateral or a master netting agreement is required to mitigate the credit risk.

Maximum credit exposure

In the table below we have detailed the maximum credit exposure:

	2005	2004
Derivative assets held for trading	**105,372**	96,792
Financial investments – interest-earning securities	**119,749**	99,838
Loans and receivables – banks	**21,371**	19,486
Loans and receivables – customers	**282,580**	240,227
Professional securities transactions	**162,005**	123,644
Multi-seller conduits	**25,931**	23,700
Committed credit facilities	**141,010**	145,009
Credit related contingent liabilities	**46,021**	46,465
Total	**904,039**	795,161

The credit risk exposure on derivative assets held for trading is measured as the current positive replacement value plus the potential future changes in replacement value, taking into account master netting agreements with individual counterparties where they are enforceable in insolvency. For interest-earning securities the amortised cost is included to reflect to credit risk exposure. The credit risk on professional security transactions is limited as a result of the nature of these transactions. The loans and receivables due from multi-seller conduits bear limited credit risk as these are fully collateralised.

Credit risk concentrations

Concentrations of credit risk (whether on- or off-balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing risk concentrations, country risk in emerging markets and sector risk are managed on a portfolio basis. Refer to the following tables for details of the credit risk concentrations on the customer portfolio.

Credit risk concentrations from loans and receivables – customers:

	2005		2004	
		%[1]		%[1]
Netherlands				
Public sector	**2,300**	**31**	1,055	17
Commercial	**56,182**	**37**	53,788	42
Consumer	**94,603**	**77**	88,585	83
Total	**153,085**		143,428	
***Europe** (excluding Netherlands)*				
Public sector	**1,454**	**19**	1,826	30
Commercial	**30,882**	**20**	23,102	19
Consumer	**1,539**	**1**	1,365	1
Total	**33,875**		26,293	
North America				
Public sector	**735**	**10**	792	13
Commercial	**44,693**	**29**	35,460	28
Consumer	**15,218**	**13**	9,716	9
Total	**60,646**		45,968	
Latin America				
Public sector	**596**	**8**	82	1
Commercial	**8,024**	**5**	4,714	3
Consumer	**7,270**	**6**	4,246	4
Total	**15,890**		9,042	
Asia Pacific				
Public sector	**2,376**	**32**	2,304	39
Commercial	**12,630**	**9**	9,980	8
Consumer	**4,078**	**3**	3,212	3
Total	**19,084**		15,496	
Group				
Public sector	**7,461**		6,059	
Commercial	**152,411**		127,044	
Consumer	**122,708**		107,124	
Total	**282,580**		240,227	
Professional securities transactions	**74,724**		59,269	
Multi-seller conduits	**25,931**		23,700	
Total loans and receivables – customers	**383,235**		323,196	

1 *Calculated as a percentage of Group totals for public, commercial and consumer sectors respectively.*

Credit risk concentrations from credit facilities and guarantees issued:

	2005	%[1]	2004	%[1]
Netherlands				
Credit related contingent liabilities	**4,194**	**9**	4,933	11
Committed credit facilities	**17,881**	**13**	37,373	26
Total	**22,075**		42,306	
***Europe** (excluding Netherlands)*				
Credit related contingent liabilities	**20,222**	**44**	21,637	46
Committed credit facilities	**28,400**	**20**	25,877	18
Total	**48,622**		47,514	
North America				
Credit related contingent liabilities	**15,830**	**34**	15,049	32
Committed credit facilities	**78,660**	**55**	68,215	47
Total	**94,490**		83,264	
Latin America				
Credit related contingent liabilities	**1,364**	**3**	751	2
Committed credit facilities	**5,214**	**4**	3,197	2
Total	**6,578**		3,948	
Asia Pacific				
Credit related contingent liabilities	**4,411**	**10**	4,095	9
Committed credit facilities	**10,855**	**8**	10,347	7
Total	**15,266**		14,442	
Group				
Credit related contingent liabilities	**46,021**		46,465	
Committed credit facilities	**141,010**		145,009	
Total	**187,031**		191,474	

1 *Calculated as a percentage of Group totals for credit related contingent liabilities and committed credit facilities respectively.*

Total commercial loans and receivables by industry are presented in the table below:

	2005	%	2004	%
Agriculture, mining and energy	**12,377**	**8**	11,439	9
Manufacturing	**27,758**	**18**	24,060	19
Construction and real estate	**30,860**	**20**	22,516	18
Wholesale and retail trade	**19,439**	**13**	16,412	13
Transportation and communications	**18,012**	**12**	12,314	10
Financial services	**15,873**	**10**	19,800	15
Business services	**10,233**	**7**	10,284	8
Education, healthcare and other services	**17,859**	**12**	10,219	8
Total	**152,411**		127,044	

The amounts stated in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. So the amounts greatly exceed expected losses.

For a breakdown of counterparties for interest-earning securities in the available-for-sale and held-to-maturity portfolio, please refer to note 15. The Group has no significant exposure in loans and receivables – customers to any individual customer or counterparty.

Collateral

The Group's policy is to obtain collateral if and when required prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The transactions specify monetary limits to the Group's obligations. The extent of collateral held for guarantees and letters of credit is on average 20%.

The following table details loans and receivables from commercial and consumer clients by type of collateral obtained.

	2005	2004
Commercial customers		
Public authority guarantees	**4,404**	8,135
Mortgages	**28,441**	23,956
Securities	**3,487**	764
Bank guarantees	**3,121**	3,029
Other types of collateral	**50,439**	31,781
Unsecured	**62,519**	59,379
Total	**152,411**	127,044
Consumer customers		
Public authority guarantees	**3**	151
Mortgages	**93,826**	79,639
Securities	**2,074**	2,647
Bank guarantees	**856**	2,414
Other types of collateral	**7,077**	7,354
Unsecured	**18,872**	14,919
Total	**122,708**	107,124

Market risk of the trading book

Exposures

All trading instruments are subject to market risk. Market risk arises from open positions in interest rate, currency, equity and commodity products, all of which are exposed to general and specific market movements. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income.

Measurement and control

The Group applies a Value-at-Risk (VaR) methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group uses VaR as its primary tool for the day-to-day monitoring of market risks. Group Asset and Liability Management (GALM) sets limits on the VaR that may be accepted.

Other control measures used in the market risk management process include limits on net open positions, interest rate sensitivity per basis point, spread sensitivities, option parameters, position concentrations and position ageing. These non-statistical measures help us to monitor and control trading risks.

Value-at-Risk

VaR is a methodology for assessing market risk exposure in a single number. VaR is a statistical measure that estimates potential losses, and is defined as the predicted worst-case loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time and at a specific level of statistical confidence. The Group uses a proprietary VaR model that has been approved by the Dutch Central Bank.

The VaR methodology adopted by the bank for its VaR calculation is Historical Simulation, using four years of equally weighted historical data. The VaR is calculated at a 99% confidence level for a one-day holding period, using relative changes in historical rates and prices. The positions captured by our VaR calculations include derivative and cash positions that are reported as assets and liabilities held for trading. The VaR is reported on a daily basis per trading portfolio, per product line and for the Group as a whole. It is reported daily to the senior management of the Business Units, Group Risk Management and the responsible members of the Managing Board.

VaR per Risk Category (99% confidence level, one-day holding period)

(in millions of euros)	For the year ended 31 December 2005				For the year ended 31 December 2004			
	Minimum	Maximum	Average	Year-end	Minimum	Maximum	Average	Year-end
Interest rate risk	**17.7**	**68.3**	**30.4**	**23.3**	10.4	49.5	21.6	18.7
Equity price risk	**13.0**	**70.6**	**36.8**	**36.2**	8.8	25.9	14.9	15.6
Foreign exchange risk	**1.2**	**15.7**	**4.2**	**3.0**	1.0	7.7	3.0	3.7
Commodity price risk	**0.7**	**5.9**	**2.0**	**2.1**	0.1	2.5	0.4	0.8
Diversification effect	**–**	**–**	**–**	**(20.9)**	–	–	–	(8.3)
Aggregate VaR 1	**25.3**	**80.2**	**50.0**	**43.7**	17.1	42.2	26.4	30.5

1 *The maximum (and minimum) for each risk category occurred on different days and therefore have no direct relation to the maximum (and minimum) of the aggregate VaR. The aggregate VaR includes the diversification effect of imperfect or negative correlations between certain risk types. Therefore the aggregate VaR can be lower than the sum of the individual risk types on the same day (e.g. year- end).*

Stress testing

Although the VaR represents a good estimate of potential losses under normal market circumstances, it fails to capture 'one-off' events. The limitations of the VaR model mean that we must supplement it with other statistical tests. These include a series of stress tests scenarios and sensitivity stress tests that shed light on the hypothetical behaviour of our portfolio and the impact on our financial results under extreme market movements. Sensitivity stress tests and stress test scenarios have been developed internally to reflect specific characteristics of the bank's portfolios and are performed on a daily basis for each trading portfolio and at several aggregation levels. They may be based upon parallel movements in a number of risk elements or in one risk element, upon actual historical scenarios or upon plausible future shocks.

Interest rate risk (non-trading)

Measurement and control

Several measures are used to monitor and limit non-trading interest rate risk. The methods employed include earnings simulation, duration and interest rate gap analysis. Limits are set on the earnings and market value sensitivity. Model-based scenario analysis is used to monitor the interest rate risk positions denominated in euros, Brazilian reals and US dollars to the extent that these positions are held in Europe, Brazil and the US, which relates to some 85% to 90% of the total exposure of the Group. Interest rate risk positions in other currencies and other countries are controlled by gap analysis and/or market value limits, as these positions are typically less complex.

Net interest income is the sum of interest received less interest paid on large volumes of contracts and transactions, and numerous different products. Simulation models and estimation techniques are used to forecast the net interest income and to assess its sensitivity to 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 option to repay before the scheduled maturity. On the liability side, the repricing characteristics of savings and deposits are based on estimates using historical data, since the rates attached to these products are not coupled to a specified market rate or maturity date.

The bank uses a statistical approach for forecasting and sensitivity analyses because it is the method best suited to these products.

Interest rate risk associated with our North America residential mortgage business in relation to mortgage servicing rights

We sell or securitise most of the mortgage loans we originate in North America, and typically retain the rights to service residential mortgage loans sold. The bank recognises a mortgage servicing right (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 mortgage. Origination income and MSR values are sensitive to changes in interest rates.

High or rising interest rates may lead to lower mortgage prepayments and a corresponding reduction in servicing amortisation costs and, therefore, an increase in servicing income. However, if interest rates are high or rising as in 2005 and 2004, residential mortgage loan demand may decline, leading to a fall in origination income.

The Group employs various strategies to manage the risk to net mortgage revenue from all sources over time and to manage the risk to an immediate reduction in the fair value of its mortgage servicing rights within the risk parameters established by GALM. The main hedge instruments used for this risk are interest rate swaps and forward sales contracts. From time to time we employ other derivative instruments such as interest rate futures, caps, floors or purchased options. Occasionally cash instruments such as mortgage-backed securities are utilised as hedges for MSR assets.

Interest rate sensitivity disclosure non-trading book

For assessing interest rate risk in the banking books, GALM provides a set of measures the Earnings at Risk and Market Value Risk for the EUR, USD and BRL currencies and reports this to the Group Asset Liability Committee (Group ALCO). This set covers 85% to 90% of our net interest revenue in the non-trading book. The interest rate sensitivity of our trading books is measured under market risk.

The Earnings-at-Risk table shows the cumulative sensitivity of net interest income over a time horizon of 6, 12, and 24 months, and under a number of predefined scenarios. Sensitivity is defined as the percentage change in the interest income relative to a base case scenario. The base case scenario assumes continuation of the present yield curve environment. The 'Rates Rise' and 'Rates Fall' scenarios assume a gradual parallel shift of the yield curve during 12 months, after which the curve remains unchanged. In order to reflect the differences in yield curve across markets, the scenarios are currency-dependent.

Due to the low interest environment the EUR rates fall scenario is 100 bp, whereas the rates rise scenario is 200 bp for both years presented. For USD, the 2005 scenarios reflect a gradual change of 200 bp upwards (2004: 200 bp) and 200 bp downwards (2004: 150 bp). The change in scenario is due to the low USD interest rates in 2004. For BRL, the rates rise scenario is 1,100 bp and the rates fall is 800 bp for both years presented.

In all cases, the volume scenario assumes new business volume in line with the business forecast during the first year, and a constant balance sheet thereafter. For USD, other interest sensitive items such as mortgage servicing rights are included in this measure.

The following table shows the cumulative % change in income over the relevant time horizon:

Earnings-at-Risk

		December 2005			December 2004		
	Horizon	EUR	USD	BRL	EUR	USD	BRL
Rates Rise	6 months	**(2.4%)**	**(2.1%)**	**(4.2%)**	(4.2%)	(8.4%)	(5.5%)
	1 year	**(2.9%)**	**(1.6%)**	**(2.8%)**	(4.1%)	(6.8%)	(5.7%)
	2 years	**0.7%**	**0.3%**	**3.1%**	(1.0%)	(2.8%)	(2.2%)
Rates Fall	6 months	**1.1%**	**(2.2%)**	**2.6%**	1.8%	(2.6%)	3.7%
	1 year	**1.3%**	**(1.1%)**	**1.3%**	1.7%	1.0%	3.4%
	2 years	**(1.1%)**	**(8.8%)**	**(3.1%)**	(0.4%)	(6.4%)	0.5%

The December 2004 data above covered a smaller portion of the balance sheet than December 2005. Therefore the absolute numbers for 2004 would not be comparable. Since relative numbers are scaled, the relative data for 2004 and 2005 can be compared.

The Earnings-at-Risk table below gives the 2005 cumulative change in income over the relevant time horizon as absolute numbers using exchange rates at 31 December 2005.

Earnings-at-Risk

(in millions of euros)

		December 2005		
	Horizon	EUR	USD	BRL
Rates Rise	6 months	(30)	(19)	(55)
	1 year	(75)	(30)	(77)
	2 years	35	12	179
Rates Fall	6 months	15	(20)	35
	1 year	33	(21)	36
	2 years	(58)	(343)	(180)

The Market Value Risk table shows the sensitivity of the market value of equity to changes in interest rates for the EUR, USD and BRL currencies. Market Value of Equity is defined as the calculated discounted value of assets in the banking book, minus calculated discounted value of liabilities, plus market value of derivatives and other interest sensitive items such as mortgage servicing rights for the US. Sensitivity is measured as the percentage value change due to an overnight shock. The magnitude of the shocks is equal to the changes used for earnings risk.

Market Value Risk

	December 2005			December 2004		
	EUR	USD	BRL	EUR	USD	BRL
Rates Rise	**(2.7%)**	**(4.1%)**	**(11.3%)**	(2.8%)	(9.8%)	(22.0%)
Rates Fall	**0.7%**	**(13.4%)**	**4.7%**	0.9%	(0.6%)	18.5%

Currency risk (non-trading)

The Group's operating entities are required to manage any currency exposure arising on local transactions with funding in the same currency or to transfer the currency risk to the Group. Accordingly the Group is able to manage currency risk through its net investments in its non-euro operations.

We apply various hedging strategies to our net investments in our non-euro operations, in order to manage and minimise any adverse effects from translating the relevant foreign currency into euro.

Capital ratio hedge

To protect our capital ratios (core tier 1, tier 1 and total capital as a portion of RWA) against adverse effects of the US dollar, our main foreign currency, the USD-sensitive part of our capital base has to be equal to the USD-sensitive part of our risk-weighted assets. On this basis there will be no material impact on our capital ratios, as the ratios are hedged against changes in the EUR/USD exchange rate.

Capital hedge

The capital ratio hedge strategy implies that a part of our capital has to be USD-sensitive to neutralise the USD sensitivity of our RWA. Hence a part of our equity is also exposed to EUR/USD fluctuations.

Our investments in foreign operations in currencies other than the USD are hedged on a selective basis. We consider the use of hedging in cases where the expected currency loss is larger than the interest rate differential between the two currencies that represents the cost of the hedge.

At December 2005 56% of our net investment in foreign operations was hedged leaving approximately EUR 5 billion unhedged including USD 1 billion and BRL 2 billion (USD and BRL stated in EUR amounts). The table shows the sensitivity of our capital to, respectively, a 10% appreciation and 10% depreciation in the euro against all foreign currencies.

(in millions of euros)	**2005**	2004
Euro appreciates 10%	**(559)**	(340)
Euro depreciates 10%	**+ 559**	+ 340

Liquidity risk

Measurement and control

Liquidity risk arises in any bank's general funding of its activities. For example, a bank may be unable to fund its portfolio of assets at appropriate maturities and rates, or may find itself unable to liquidate a position in a timely manner at a reasonable price. The Group holds capital to absorb unexpected losses, and manages liquidity to ensure that sufficient funds are available to meet not only the known cash funding requirements, but also any unanticipated ones that may arise. At all times, the Group maintains what we believe to be adequate levels of liquidity on a Group-wide basis to meet deposit withdrawals, repay borrowings and fund new loans, even under stressed conditions.

We manage liquidity on a daily basis in all 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. Therefore local line management is responsible for managing our local liquidity requirements under the supervision of GALM on behalf of the Group ALCO.

On a day-to-day basis our liquidity management depends on, among other things, the effective functioning of local and international financial markets. As this is not always the case, we have Group-wide contingency funding plans. These plans are put into effect in the event of 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 continually assess potential trends, demands, 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 our sources of short-term funding and long-term liquidity planning.

As we have entered into committed credit facilities, our liquidity management process also involves assessing the potential effect of the contingencies inherent in these types of transactions on our normal sources of liquidity and finance.

Liquidity gap

The following table provides an analysis that categorises the balance sheet of the Group into relevant maturity groupings based on the remaining contractual periods to repayment.

Maturity for the year ended 31 December 2005:

	On demand	< 1 year	≥ 1 year - < 5 years	≥ 5 years	Total
Assets					
Cash and balances at central banks	16,657	–	–	–	16,657
Financial assets held for trading **1**	202,055	–	–	–	202,055
Financial Investments	12,366	12,047	35,425	63,936	123,774
Loans and receivables – banks	7,251	80,091	5,922	15,371	108,635
Loans and receivables – customers	24,101	171,824	84,497	99,826	380,248
Other assets **1**	3,213	21,268	4,341	20,613	49,435
Total	265,643	285,230	130,185	199,746	880,804
Liabilities					
Financial liabilities held for trading **1**	148,588	–	–	–	148,588
Due to banks	30,905	117,150	8,349	11,417	167,821
Due to customers	147,846	138,630	14,481	16,126	317,083
Issued debt securities	1,495	100,873	34,548	33,703	170,619
Subordinated liabilities	–	1,156	5,101	12,815	19,072
Other liabilities **1**	4,712	15,335	2,771	10,651	33,469
Total	333,546	373,144	65,250	84,712	856,652
Net liquidity gap	(67,903)	(87,914)	64,935	115,034	24,152

Maturity for the year ended 31 December 2004:

	On demand	< 1 year	≥ 1 year - < 5 years	≥ 5 years	Total
Assets					
Cash and balances at central banks	17,896	–	–	–	17,896
Financial assets held for trading **1**	167,035	–	–	–	167,035
Financial investments	–	18,722	33,132	51,094	102,948
Loans and receivables – banks	5,575	64,695	4,075	9,513	83,858
Loans and receivables – customers	19,821	150,960	66,404	82,837	320,022
Other assets **1**	2,292	14,083	4,478	14,842	35,695
Total	212,619	248,460	108,089	158,286	727,454
Liabilities					
Financial liabilities held for trading **1**	129,506	–	–	–	129,506
Due to banks	28,846	85,396	10,122	9,165	133,529
Due to customers	137,742	124,282	9,893	9,462	281,379
Issued debt securities	1,956	64,283	30,808	24,185	121,232
Subordinated liabilities	–	1,086	4,693	10,908	16,687
Other liabilities **1**	3,311	11,887	2,729	10,642	28,569
Total	301,361	286,934	58,245	64,362	710,902
Net liquidity gap	(88,742)	(38,474)	49,844	93,924	16,552

1 *Financial assets and liabilities held for trading and hedging derivatives are shown as on demand which management believes most accurately reflects the short term nature of the trading and derivative activities.*

Use of derivatives

Derivative instruments

The Group uses derivative instruments (a) to provide risk management solutions to its clients, (b) to manage the Group's own exposure to various risks (including interest, currency and credit risks) and (c) for proprietary trading purposes.

A derivative is a financial instrument that is settled at a future date and requires little or no initial net investment, and whose value varies in response to changes in the price of another financial instrument, an index or some other variable.

The majority of derivative contracts are arranged as to amount ('notional'), tenor and price directly with the counterparty (over-the-counter). The remainder are standardised in terms of their amounts and settlement dates and are bought and sold in organised markets (exchange traded).

The notional, or contractual, amount of a derivative represents the reference quantity of the underlying financial instrument on which the derivative contract is based. The value of the derivative contract is typically determined by applying a calculated price to this notional amount, and is the basis upon which changes in the value of the contract are measured. The notional amount provides an indication of the underlying volume of business transacted by the Group but does not provide any measure of risk, and is not included on the balance sheet.

Derivative instruments are carried at fair value (or mark-to-market), shown in the balance sheet as separate totals of positive fair values (assets) and negative fair values (liabilities). Positive fair values represent the cost to the Group of replacing all transactions with a favourable fair value if all the counterparties of the Group were to fail to perform according to the terms of the contract, assuming transactions could be replaced instantaneously. Negative fair values represent the cost to the Group's counterparties of replacing all their transactions if the Group failed to meet its obligations. Changes in fair value of derivative instruments are recognised in trading income unless they qualify as hedges for accounting purposes.

Positive and negative fair values on different transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis, and the Group has the legal right to offset separate transactions with that counterparty.

Types of derivative instruments

The most common types of derivatives used are as follows:

Forwards are binding contracts to buy or sell financial instruments, most typically currency, on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market

Futures are exchange traded agreements to buy or sell a standard quantity of specified grade or type of financial instrument, currency or commodity at a specified future date

Commodity derivatives are contracts to buy or sell a non-financial item. They can be either exchange traded or OTC

Swaps are agreements between two parties to exchange cash flows on a specified notional amount for a predetermined period. Most swaps are traded OTC. The major types of swap transactions undertaken by the Group are as follows:

- Interest rate swap contracts – typically the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and a reference interest rate, most commonly LIBOR
- Cross currency swaps – the exchange of interest payments based on two different currency principal balances and reference interest rates, and usually the exchange of principal amounts at the start and end of the contract
- Credit default swaps (CDSs) – bilateral agreements under which one party (protection buyer) makes one or more payments to the other party (protection seller) in exchange for an undertaking by the seller to make a payment to the buyer following a specified credit event. CDSs may be on a single name (counterparty) or on a multiple (or basket) of names (counterparties). Settlement following a credit event may be a net cash amount, or cash in return for physical delivery of one or more obligations of the credit entity and is made regardless of whether the protection buyer has actually suffered a loss. After a credit event and settlement, the contract is terminated
- Total rate of return swaps give the total return receiver exposure to all of the cash flows and economic benefits and risks of an underlying asset, without having to own the asset, in exchange for a series of payments, often based on a reference interest rate, such as LIBOR. The total return payer has an equal and opposite position. A specific type of total return swap is an equity swap.

Options are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options may be traded OTC or on a regulated exchange, and may be traded in the form of a security (warrant).

Derivatives transacted for trading purposes

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks.

Trading activities are entered into principally for the purpose of generating profits from short term fluctuations in price or margin, and include market-making, positioning and arbitrage activities:

- Market making involves quoting bid and offer prices to other market participants with the intention of generating income based on spread and volume
- Positioning means managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices
- Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives transacted for hedging purposes

The Group enters into derivative transactions for the purposes of hedging assets, liabilities, forecast transactions, cash flows and credit exposures. The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for accounting purposes (see accounting policies).

The Group also enters into derivative transactions which provide economic hedges for credit risk exposures but do not meet the requirements for hedge accounting treatment; for example, the Group uses CDSs as economic hedges for credit risk exposures in the loan and traded product portfolios, but cannot always apply hedge accounting to such positions.

Risks of derivative instruments

Derivative instruments are transacted in many trading portfolios, which generally include several types of instruments, not just derivatives. The market risk of derivatives is managed and controlled as an integral part of the market risk of these portfolios. The Group's approach to market risk is described in the market risk section of this footnote.

Derivative instruments are transacted with many different counterparties, most of whom are also counterparties for other types of business. The credit risk of derivatives is managed and controlled in the context of the Group's overall credit exposure to each counterparty. The Group's approach to credit risk is described in the financial risk management part of this footnote. It should be noted that although the values shown on the balance sheet can be an important component of the Group's credit exposure, the positive replacement values for any one counterparty are rarely an adequate reflection of the Group's credit exposure on its derivatives business with that counterparty. This is because, on the one hand, replacement values can increase over time ('potential future exposure'), while on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements with counterparties.

39 Capital adequacy

To monitor the adequacy of capital the Group uses ratios established by the Bank for International Settlements (BIS). These ratios measure capital adequacy (minimum 8% as required by BIS) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Off-balance-sheet credit related commitments and derivative instruments are taken into account by applying different categories of conversion factors, which are designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using the same percentages as for non-derivative assets.

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

Core tier 1 capital is tier 1 capital excluding preference shares.

The Group's capital adequacy level was as follows:

	Balance sheet / unweighted amount		Risk weighted amount, including effect of contractual netting	
	2005	2004	**2005**	2004
***Balance sheet assets** (net of provisions):*				
Cash and balances at central banks	**16,657**	17,896	**432**	263
Financial assets held for trading	**202,055**	167,035	**548**	375
Financial investments	**123,774**	102,948	**11,620**	9,124
Loans and receivables – banks	**108,635**	83,858	**4,992**	4,525
Loans and receivables – customers	**380,248**	320,022	**151,496**	142,665
Equity accounted investments	**2,993**	1,428	**727**	681
Property and equipment	**8,110**	7,173	**6,638**	6,515
Goodwill and other intangibles	**5,168**	3,143	**4,437**	2,191
Prepayment and accrued income	**7,614**	5,740	**2,952**	2,330
Other assets	**25,550**	18,211	**8,893**	5,587
Subtotal	**880,804**	727,454	**192,735**	174,256
Off-balance sheet positions and derivatives:				
Credit-related commitments and contingencies	**187,031**	191,474	**48,017**	39,172
Credit equivalents of derivatives			**10,751**	12,226
Insurance companies and other			**339**	1,095
Subtotal			**59,107**	52,493
Total credit risks			**251,842**	226,749
Market risk requirements			**6,012**	4,873
Total risk-weighted assets			**257,854**	231,622

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

	2005		2004	
	Required	Actual	Required	Actual
Total capital	**20,628**	**33,874**	18,530	25,618
Total capital ratio	**8.0%**	**13.14%**	8.0%	11.06%
Tier 1 capital	**10,314**	**27,382**	9,265	19,592
Tier 1 capital ratio	**4.0%**	**10.62%**	4.0%	8.46%
Core tier 1	**–**	**21,828**	–	14,641
Core tier 1 ratio	**–**	**8.47%**	–	6.32%

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

Credit equivalent

	2005	2004
Interest rate contracts	**84.8**	75.0
Currency contracts	**28.2**	50.5
Other contracts	**32.2**	18.9
	145.2	144.4
Effect of contractual netting	**97.4**	88.9
Unweighted credit equivalent	**47.8**	55.5
Weighted credit equivalent	**10.8**	12.2

40 Private equity investments

Private equity investments are either consolidated or held at fair value.

Consolidated private equity holdings

Investments of a private equity nature that are controlled by the Group are consolidated. Such holdings represent a wide range of non-banking activities. Personnel and other costs relating to production and manufacturing activities are presented within material expenses. The impact of consolidating on the income statement these investments is set out in the following table.

	2005	2004
Income of consolidated private equity holdings	**3,637**	2,616
Other income included in operating income	**(242)**	(96)
Total operating income of consolidated private equity holdings	**3,395**	2,520
Goods and material expenses of consolidated private equity holdings	**2,519**	1,665
Included in personnel expenses	**362**	399
Included in administrative costs	**352**	284
Included in depreciation and amortisation	**133**	151
Operating profit before tax of consolidated private equity holdings	**29**	21

Goods and material expense includes personnel costs relating to manufacturing and production activities.

The assets and liabilities of these consolidated holdings are included in the Group balance sheet. Given the non-banking nature of the underlying activities the main lines impacted are goodwill, property and equipment, other assets and issued debt securities. The total assets of these consolidated entities at 31 December 2005 were EUR 3,477 million (2004: EUR 2,393 million) excluding goodwill.

Unconsolidated private equity investments

The private equity investments in which the Group does not have control are accounted for at fair value with change through income. Although control is not with the Group, in many cases the Group does hold significant influence, usually evidenced by an equity stake of between 20% and 50%. Significant influence is held in approximately 100 investments with a fair value of EUR 603 million at 31 December 2005, operating in various sectors including information technology, life sciences, media and telecommunications.

41 Joint ventures

The Group's activities conducted through joint ventures include insurance, trust and property development activities. See note 49 for further details. The consolidated financial statements of the joint ventures include the following assets and liabilities, income and expenses of joint ventures, which represent the Group's proportionate share:

	2005	2004
Assets		
Cash and balances at central banks	**11**	6
Financial investments	**2,748**	1,875
Loans and receivables – banks and customers	**925**	965
Equity accounted investments	**6**	6
Property and equipment	**1,011**	827
Accrued income and prepaid expenses	**58**	54
Other assets	**2,161**	2,001
Total	**6,920**	5,734
Liabilities		
Financial liabilities held for trading	**871**	843
Due to customers	**896**	822
Issued debt securities	**7**	1
Accrued expenses and deferred income	**23**	15
Other liabilities	**4,994**	3,964
Total	**6,791**	5,645

	2005	2004
Total operating income	**150**	118
Operating expenses	**71**	79
Operating profit	**79**	39
Income tax expense	**21**	8
Net profit	**58**	31

42 Remuneration of 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 the remuneration offered by relevant peers in the market. Peers are defined as other major Dutch companies and other European-parented banks.

The compensation package for the Managing Board has the following elements:
- base salary
- performance bonus
- long-term incentives – Performance Share Plan and Share Investment and Matching Plan.

In addition there are a number of other 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 receives a market competitive allowance. Salaries are reviewed annually with adjustments taking effect from 1 January. Managing Board base salaries were adjusted in 2005 for the first time since 2001. The gross annual base salary for the Managing Board Members was adjusted from EUR 635,292 to EUR 650,000 and from EUR 889,410 to EUR 910,000 for the Chairman.

Performance bonus

The annual performance bonus for Managing Board members is based upon ABN AMRO's quantitative and qualitative performance objectives at both the corporate and BU level. 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 these corporate performance objectives. With effect from 2004, the bonus for board members responsible for a BU is based 75% on Group performance and 25% on BU performance.

In 2005 objectives such as economic profit, cost / income ratio and tier 1 ratio were used to measure quantitative corporate and BU performance. In addition qualitative objectives are set such as increasing customer satisfaction and reaching strategic milestones. Bonus criteria are aligned with the bank's long term objectives. Specific annual performance targets are not disclosed as they are considered competitively sensitive.

If the quantitative performance objectives are fully met, the 2005 bonus will be 100% of base salary with an upper limit 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% of base salary. In 2004 the bonus percentage linked to on-target performance was between 60% and 75%.

The 2005 performance bonuses for Managing Board members have been set at the newly-agreed 2005 bonus levels. The Committee assessed the 2005 performance against the set and realised quantitative objectives on the basis of the numbers provided by Group Finance.

The bonuses with respect to the 2005 performance year for all Managing Board members, including the Chairman of the Managing Board, are set at 115% of the 2005 annual base salary. The individual bonus awards are shown in the table on page 190.

The 2004 bonuses as paid in 2005 and published in the 2004 Annual Report have been adjusted as the Managing Board members have agreed to pay a part of that bonus back to the bank.

ABN AMRO Share Investment and Matching Plan

In 2004 Shareholders' approval was obtained to encourage executive share ownership. Under this plan, the Board members may defer a maximum of 25% of their annual salary into ABN AMRO Holding N.V. shares (Investment Shares). This amount must be funded from the net bonus outcome of the relevant performance year. If the net bonus outcome is insufficient to fund the full investment amount the participation will be withdrawn.
At the end of a three-year vesting period the Investment Shares will be matched by the bank on the basis of one ABN AMRO share (Matching Share) for each Investment Share, provided that the Managing Board member remains employed within the ABN AMRO Group during the vesting period. The Investment Shares, together with the built-up dividends, will be released three years after deferral. The Matching Shares must be held for at least five years from vesting, with the possibility of selling some of the shares to settle the tax obligation.

In 2005 – with respect to the 2004 bonus – all Managing Board members have participated in this plan, five of them for the maximum amount of 25% of base salary and one Managing Board Member for 12.5% of base salary. The total amount that was used to purchase Investment Shares was EUR 936,954 for all six Managing Board Members. With respect to the 2005 performance year, five members again participated for 25% of annual salary and one member for half of this amount.

Share options

Share options have been an integral part of ABN AMRO top executives' compensation for several years.

As of 2005 share options no longer form part of the long-term reward package for the Managing Board or for the Top Executive Group as a whole. The options granted in the years up to and including 2004 will remain in place. In 2005 no options expired. The options granted in 2002 vested on 25 February 2005 and will remain exercisable during the remainder of the ten-year option period, which runs until 25 February 2012. In 2006 no options will expire. The options granted in 2003 have vested on 24 February 2006, because the two performance conditions that were set for this award were met by the end of the three-year performance period in 2005.

The Managing Board announced to the N&C Committee on 30 January 2006 their collective decision to limit the exercise of their options going forward exclusively to the first day of the first open period after vesting and/or expiration periods, or to earlier equivalent contractual dates in line with the plan rules, such as the date of retirement. Although this limits the theoretical value of the options, the Board believes the increase in transparency to the market outweighs this theoretical disadvantage.

Performance Share Plan

The Performance Share Plan (PSP) 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 2005 Managing Board members received a conditional award of 60,000 shares and the Chairman 84,000 shares. The PSP grant in 2005 was based half on the relative TRS (total return to shareholders) performance and half on the average return on equity (ROE) achieved by the bank over the four-year performance period, defined as the year of grant and three subsequent years.

The vesting schedule for the TRS-linked award is the same as in previous years. 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.

The ROE linked part of the award was introduced in 2005. The pay-out of this part of the award will be linked to the average ROE target for the performance period using a sliding scale, with a threshold at 25% and a maximum award of 100%.

Another condition is that the recipient must still be in service with the Group at the end of the performance period. The four-year performance cycle for the conditional shares as awarded in 2002 came to a close at the end of 2005, and ABN AMRO's position in the peer group was seventh. This means that the conditional share award made in 2002 will result in an award representing 70% of the original awards of 70,000 shares for members and 98,000 shares for the Chairman. As a result, the members of the Managing Board received 49,000 ABN AMRO shares with a vesting date, 31 January 2006, and the Chairman 68,600 shares. This award is subject to taxation which was calculated on the basis of the number of shares times the share price. The Managing Board members collectively decided to sell, on the day of the grant of the award, a number of shares sufficient to settle the tax obligation with respect to the award.

Pension

The Managing Board's pensionable salary is 100% of annual base salary. Until 31 December 2005 the normal retirement age of the Managing Board members was 62. Since 1 January 2006 the plan has been changed in such a way that the normal retirement age is 65, based on average income (2.15% per year). It is possible to retire earlier. The ABN AMRO Pension Fund manages the pension plan.

Specific benefits

The Managing Board's compensation package also includes:

- the use of a company lease car with driver
- reimbursement of the cost of adequate security measures for their main private residence
- a 24-hour personal accident insurance policy 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 the members of the Managing Board and Supervisory Board.

(in thousands of euros)	Managing Board		Supervisory Board	
	2005	2004	**2005**	2004
Periodic payments	**4,639**	4,556	**787**	767
Profit-sharing and bonus payments	**4,787**	2,680		
Share-based payments	**6,063**	4,672		
Pension benefits	**1,324**	1,148		
ABN AMRO staff options **1** (conditional, granted options)		576,000		
ABN AMRO shares **1** (conditional, granted)	**429,058**	320,000		
ABN AMRO staff options **1** (outstanding)	**2,380,835**	2,382,251		
ABN AMRO shares **1** (exercisable)	**1,196,835**	686,251		
ABN AMRO shares **1** (owned)	**124,004**	72,668	**34,847**	27,173
Loans (outstanding)	**11,518**	9,362	**2,100**	2,100

1 *Number of shares / options.*

The following table summarises the salaries, other periodic rewards and bonuses of individual Managing Board members.

(in thousands of euros)	2005					2004				
	Base salary	Other periodic payments[1]	Bonus	Share-based payments[2]	Pension costs[3]	Base salary	Other periodic payments[1]	Bonus[4]	Shared based payments[2]	Pension costs[3]
R.W.J. Groenink	**910**	**4**	**1,047**	**1,331**	**263**	889	4	805	1,022	225
W.G. Jiskoot	**650**	**2**	**748**	**951**	**185**	635	3	575	730	158
T. de Swaan	**650**	**2**	**748**	**951**	**206**	635	13	575	730	181
J.Ch.L. Kuiper	**650**	**4**	**748**	**951**	**264**	635	15	575	730	228
C.H.A. Collee	**650**	**3**	**748**	**951**	**168**	635	3	575	730	140
H.Y. Scott-Barrett	**650**	**464**	**748**	**928**	**238**	635	454	575	730	216

1 *Other periodic payments are comprised of contributions towards private health insurance and foreigner allowance. Mr Scott-Barrett received a foreigner allowance of EUR 464 in 2005 and 454 in 2004.*
2 *Share-based payments are calculated in accordance with IFRS 2 by recognising the fair value of the shares/options at grant date over the vesting period.*
3 *Pension costs exclusively comprise pension service cost and post-retirement service cost computed on the basis of IAS 19.*
4 *Part of the bonus amounts were paid back by all Managing Board members, resulting in a final bonus of EUR 480 for Mr Groenink, EUR 400 for the CFO Mr de Swaan, and EUR 450 for the four remaining members.*

The following tables reflect movements in the option holdings of the Managing Board as a whole and of individual Board members. The conditions governing the granting of options are included in note 43.

	2005		2004	
	Options held by Managing Board	Average exercise price (in euros)	Options held by Managing Board	Average exercise price (in euros)
Movements:				
Balance at 1 January	**2,382,251**	**18.84**	2,003,675	18.76
Options granted	**–**	**–**	576,000	18.86
Options exercised / cancelled	**1,416**	**22.23**	197,424	18.13
Balance at 31 December	**2,380,835**	**18.83**	2,382,251	18.84

	Balance at 1 January	Exercise price (in euros)	Exercised/ cancelled	Balance at 31 December	Stock price on exercise	Year of expiration date
R.W.J. Groenink						
Executive 2000	60,000	21.30		60,000		2007
Executive 2001	55,000	23.14		55,000		2008
Executive 2002 **1, 2**	112,000	19.53		112,000		2012
Executive 2003 **1, 3**	133,000	14.45		133,000		2013
Executive 2004 **1**	126,000	18.86		126,000		2014
AOR 2000	354	22.23	354	0		
AOR 2001	271	22.34		271		2008
AOR 2002	296	20.42		296		2009
	486,921		354	486,567		
W.G. Jiskoot						
Executive 2000	60,000	21.30		60,000		2007
Executive 2001	55,000	23.14		55,000		2008
Executive 2002 **1, 2**	80,000	19.53		80,000		2012
Executive 2003 **1, 3**	95,000	14.45		95,000		2013
Executive 2004 **1**	90,000	18.86		90,000		2014
AOR 2000	354	22.23	354	0		
AOR 2001	271	22.34		271		2008
AOR 2002	296	20.42		296		2009
	380,921		354	380,567		
T. de Swaan						
Executive 2000	60,000	21.30		60,000		2007
Executive 2001	55,000	23.14		55,000		2008
Executive 2002 **1, 2**	80,000	19.53		80,000		2012
Executive 2003 **1, 3**	95,000	14.45		95,000		2013
Executive 2004 **1**	90,000	18.86		90,000		2014
AOR 2000	354	22.23	354	0		
AOR 2001	271	22.34		271		2008
AOR 2002	296	20.42		296		2009
	380,921		354	380,567		
J.Ch.L. Kuiper						
Executive 2000	60,000	21.30		60,000		2007
Executive 2001	55,000	23.14		55,000		2008
Executive 2002 **1, 2**	80,000	19.53		80,000		2012
Executive 2003 **1, 3**	95,000	14.45		95,000		2013
Executive 2004 **1**	90,000	18.86		90,000		2014
AOR 2001	271	22.34		271		2008
AOR 2002	296	20.42		296		2009
	380,567			380,567		

1 *Conditionally granted.*
2 *Vested on 25 February 2005.*
3 *Vested on 24 February 2006.*

	Balance at 1 January	Exercise price (in euros)	Exercised/ cancelled	Balance at 31 December	Stock price on exercise	Year of expiration date
C.H.A. Collee						
Executive 2000	56,000	21.30		56,000		2007
Executive 2001	55,000	23.14		55,000		2008
Executive 2002 **1, 2**	80,000	19.53		80,000		2012
Executive 2003 **1, 3**	95,000	14.45		95,000		2013
Executive 2004 **1**	90,000	18.86		90,000		2014
AOR 2000	354	22.23	354	0		
AOR 2001	271	22.34		271		2008
AOR 2002	296	20.42		296		2009
	376,921		354	376,567		
H.Y. Scott-Barrett						
Executive 2000	56,000	21.30		56,000		2007
Executive 2001	55,000	23.14		55,000		2008
Executive 2002 **1, 2**	80,000	19.53		80,000		2012
Executive 2003 **1, 3**	95,000	14.45		95,000		2013
Executive 2004 **1**	90,000	18.86		90,000		2014
	376,000			376,000		

1 *Conditionally granted.*
2 *Vested on 25 February 2005.*
3 *Vested on 24 February 2006.*

The following table shows movements in shares conditionally awarded under the Performance Share Plan. For the years 2002 through 2004 the conditional award was based 100% on the bank's ranking in the peer group (TRS ranking). For the year 2005, 50% of the award is on the TRS ranking and 50% on the average ROE target for the reference period. The number of shares conditionally awarded on the TRS ranking in the table below assumes a ranking of fifth in the peer group, in line with our ambition. The number of shares conditionally awarded on the ROE target assumes that we will achieve an average ROE above 20% per annum, our target for the performance cycle 2005-2008.

As a consequence of ABN AMRO ranking seventh in the peer group at the close of the performance cycle from 2002 to 2005, all members of the Managing Board received 70% of the conditionally awarded shares for that performance cycle at 31 January 2006. The average stock price at that date was EUR 22.78.

	Type of condition	Balance at 1 January	Granted	Vested	Expired / forfeited	Balance at 31 December	Reference period
R.W.J. Groenink	TRS	98,000		68,600	29,400	0	
	TRS	98,000				98,000	2003-2006
	TRS	70,000				70,000	2004-2007
	TRS		42,000			42,000	2005-2008
	ROE		42,000			42,000	2005-2008
W.G. Jiskoot	TRS	70,000		49,000	21,000	0	
	TRS	70,000				70,000	2003-2006
	TRS	50,000				50,000	2004-2007
	TRS		30,000			30,000	2005-2008
	ROE		30,000			30,000	2005-2008
T. de Swaan	TRS	70,000		49,000	21,000	0	
	TRS	70,000				70,000	2003-2006
	TRS	50,000				50,000	2004-2007
	TRS		30,000			30,000	2005-2008
	ROE		30,000			30,000	2005-2008
J.Ch.L. Kuiper	TRS	70,000		49,000	21,000	0	
	TRS	70,000				70,000	2003-2006
	TRS	50,000				50,000	2004-2007
	TRS		30,000			30,000	2005-2008
	ROE		30,000			30,000	2005-2008
C.H.A. Collee	TRS	70,000		49,000	21,000	0	
	TRS	70,000				70,000	2003-2006
	TRS	50,000				50,000	2004-2007
	TRS		30,000			30,000	2005-2008
	ROE		30,000			30,000	2005-2008
H.Y. Scott-Barrett	TRS	70,000		49,000	21,000	0	
	TRS	70,000				70,000	2003-2006
	TRS	50,000				50,000	2004-2007
	TRS		30,000			30,000	2005-2008
	ROE		30,000			30,000	2005-2008

The following table reflects the number of matched shares the Managing Board will receive under the ABN AMRO Share Investment and Matching Plan at the end of the vesting period, provided the member of the Managing Board remains employed within ABN AMRO during the vesting period.

	Balance at 1 January	Granted	Un-conditional	Expired / cancelled	Balance at 31 December	Vesting period
R.W.J. Groenink		10,692			10,692	2005-2007
W.G. Jiskoot		7,637			7,637	2005-2007
T. de Swaan		7,637			7,637	2005-2007
J.Ch.L. Kuiper		7,637			7,637	2005-2007
C.H.A. Collee		7,637			7,637	2005-2007
H.Y. Scott-Barrett		3,818			3,818	2005-2007

ABN AMRO ordinary shares held by Managing Board members [1]

	2005	2004
R.W.J. Groenink	**30,574**	18,334
W.G. Jiskoot	**28,827**	19,730
T. de Swaan	**15,259**	6,850
J.Ch.L. Kuiper	**16,442**	7,973
C.H.A. Collee	**8,778**	697
H.Y. Scott-Barrett	**24,124**	19,084
Total	**124,004**	72,668

1 *No financing preference shares were held by any Managing Board member.*

Loans from ABN AMRO to Managing Board members

(in thousands of euros)	2005		2004	
	Outstanding on 31 Dec.	Interest rate	Outstanding on 31 Dec.	Interest rate
R.W.J. Groenink	**5,136**	**3.58**	2,985	3.63
W.G. Jiskoot	**1,674**	**3.94**	1,674	3.94
T. de Swaan	**1,407**	**2.75**	1,407	2.25 [1]
J.Ch.L. Kuiper	**681**	**3.72**	655	3.87
C.H.A. Collee	**2,620**	**3.27**	2,641	3.29

1 *Variable rate.*

The decrease in outstandings between 31 December 2004 and 31 December 2005 is caused by repayments.

The following table provides information on the remuneration of individual members of the Supervisory Board. The members of the Supervisory Board receive an equal remuneration of EUR 40,000 per annum. For the Vice Chairman this remuneration is EUR 45,000 and for the Chairman EUR 55,000 per annum. For the membership of the Audit Committee and the Nomination & Compensation Committee an additional allowance of EUR 7,500 per membership is applied on an annual basis. In addition to this remuneration every member also receives a general expenses allowance of EUR 1,500. This allowance is EUR 2,000 for the Vice Chairman and the Chairman. For members of the Committees mentioned above an additional expenses allowance of EUR 500 is applicable. Furthermore, for the Supervisory Board members who do not live in the Netherlands, there is a general allowance of EUR 5,000 per Supervisory Board meeting that such a member attends.

All amounts are based on a full year, but the actual payment 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)	2005	2004
A.A. Loudon	63	63
A.C. Martinez 1	56	48
A. Burgmans	48	48
Mrs L.S. Groenman	40	40
D.R.J. Baron de Rothschild 1	40	40
Mrs T.A. Maas-de Brouwer	48	48
M.V. Pratini de Moraes 1	45	40
P. Scaroni 1	40	40
Lord Sharman of Redlynch 1	48	48
A.A. Olijslager	45	27
R. van den Bergh 1	27	–
A. Ruys	27	–
W. Dik 2	16	48
M.C. van Veen 2	20	60

1 *Excluding an attendance fee.*
2 *Messrs Dik and Van Veen resigned on 29 April 2005.*

ABN AMRO ordinary shares held by Supervisory Board members [1]

	2005	2004
A.A. Loudon	5,421	5,147
A. Burgmans	9,654	9,165
A.C. Martinez 2	3,000	3,000
M.V. Pratini de Moraes 2	5,384	5,384
A.A. Olijslager	3,221	3,221
R.F. van den Bergh	8,167	–
M.C. van Veen 3	–	1,256
Total	**34,847**	27,173

1 *No financing preference shares were held by any Supervisory Board member.*
2 *ADRs.*
3 *Mr Van Veen resigned on 29 April 2005.*

Loans from ABN AMRO to Supervisory Board members

The outstanding loans at 31 December 2005 amounts to EUR 2.1 million with an interest rate of 3.00% (2004: EUR 2.1 million – 3.60%) and relates to Mr A. Burgmans.

Senior Executive Vice Presidents (SEVPs) Compensation 2005

The reward package for ABN AMRO's 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 salary. The base salaries are benchmarked against the relevant local markets. The current median base salary is EUR 396,000
- Performance bonus. The annual performance bonus is linked to the respective markets within the various countries where we operate. The median bonus amount paid with respect to the 2005 performance year was EUR 1 million. Bonuses for individual SEVPs vary widely, again reflecting market and location. No absolute maximum level of bonus has been defined for SEVPs
- Long-term incentives such as the Performance Share Plan and the Share Investment and Matching Plan. Long-term incentives are set at a lower level than the applicable yearly grants to Managing Board members. SEVPs received an award under the Top Executive Performance Share Plan and are eligible to participate on a voluntary basis in the Share Investment & Matching Plan. All SEVPs receive identical grants.

In addition, a number of benefits apply in relation to the respective markets and countries of residence.

The total compensation for SEVP's in 2005 amounts to EUR 51 million (2004: EUR 42 million).

43 Share-based payments plans

ABN AMRO grants long-term share-based incentive awards to members of the Managing Board, other top executives and key staff under a number of plans.

With effect from 2005 share options no longer form part of the reward package of the top executives.
The current plans for the Managing Board (Performance Share Plan and Share Investment and Matching Plan) are described in note 42. At a lower level, the Performance Share Plan is also applicable to the second tier of top executives, the SEVPs. Both the SEVPs and the third level of top executives, the EVPs and MDs, may defer a part of their bonus to the Share Investment and Matching Plan. Furthermore, there is a Restricted Share Plan for the EVPs/MDs with performance conditions linked to the average return on equity in line with the Performance Share Plan of the Managing Board. All these plans are equity-settled.
There is also a cash-settled Performance Share Plan for the EVPs/MDs for the performance cycle 2002-2005.

Share-based compensation expense related to plans granted after 7 November 2002 totalled EUR 63 million in 2005 and EUR 58 million in 2004. Including the plans granted prior to 7 November 2002, for which the expense is calculated under our previous GAAP, total expense amounted to EUR 61 million (2004: EUR 4 million net of a release of EUR 58 million due to our final TRS-ranking in the performance cycle 2001-2004). The total carrying amount of liabilities arising from cash-settled share-based payments transactions amounted to EUR 22 million at 31 December 2005 (2004: EUR 18 million).

Option plans

Key staff are granted options conditionally on ABN AMRO shares with an exercise price equal to the average share price at the date of grant. Options generally vest three years after grant if both the service conditions and the performance conditions (a minimum ROE target) have been achieved.

The fair value of options granted is determined using a Lattice option pricing model. The following table shows the assumptions on which the calculation of the fair value of these options was based. The expected volatility was based on historical volatility.
For the calculation of the fair value of the options granted to the Top Executives in 2004, the same assumptions were used. The expense recorded in 2005 regarding all options plans amounted to EUR 43 million (2004: EUR 36 million).

	2005	2004
Grant date	**16 February 2005**	13 February 2004
Expiration date	**16 February 2015**	13 February 2014
Exercise price (in euros)	**21.24**	18.86
Share price on grant date (in euros)	**21.24**	18.86
Volatility	**34%**	35%
Expected dividend yield	**5.2%**	4.7%
Interest rate	**3.7%**	4.3%
Fair value at grant date (in euros)	**4.24**	3.98

The following table shows an overview of options granted during the past two years:

	2005		2004	
	Number of options (in thousands)	Average exercise price (in euros)	Number of options (in thousands)	Average exercise price (in euros)
Balance at 1 January	**63,050**	**18.94**	59,149	19.30
Movements:				
Options granted to Managing Board members	**–**	**–**	576	18.86
Options granted to other Top Executives	**–**	**–**	6,175	18.86
Other options granted	**7,939**	**21.24**	8,254	18.76
Options forfeited	**(2,780)**	**18.29**	(760)	18.03
Options exercised	**(1,868)**	**18.05**	(3,160)	18.10
Options expired	**(4,072)**	**22.43**	(7,184)	22.04
Balance at 31 December	**62,269**	**19.06**	63,050	18.94
Of which exercisable	**26,873**	**20.96**	19,599	21.96
Of which exercisable and in the money	**17,413**	**20.01**	1,551	17.95
Of which hedged	**26,968**	**18.14**	28,837	18.06

In 2005 and 2004, the price of options exercised ranged from EUR 17.46 to EUR 20.42, compared to an average share price of EUR 20.11 in 2005 and EUR 18.18 in 2004. If all exercisable rights were to be exercised, shareholders' equity would increase by an amount of EUR 563 million (2004: EUR 430 million). Deliveries on options exercised in 2005 were made from share repurchases on the date of grant (1,868,242 shares; 2004: 497,512 shares) and from new shares issued on the exercise date (no shares; 2004: 2,662,183 shares).

The following tables further detail the options outstanding at 31 December 2005:

	Outstanding (in thousands)	Average exercise price (in euros)	Low/high exercise price (in euros)
Year of expiration			
2007	4,411	21.30	21.30
2008	9,459	22.72	22.34-23.14
2009	4,391	20.42	20.42
2010	898	15.06	15.06
2011	495	17.12	17.12
2012	8,612	19.14	17.46-19.53
2013	13,105	14.45	14.45-14.65
2014	13,265	18.86	18.86
2015	7,633	21.24	21.24
Total	62,269	19.06	14.45-23.14

	Options outstanding			Options exercisable	
	Out-standing (in thousands)	Weighted-average exercise price (in euros)	Weighted-average remaining contractual life (in years)	Exercisable (in thousands)	Weighted average exercise price (in euros)
Range of exercise prices *(in euros)*					
14.45-17.50	16,139	14.87	6.9	1,641	17.46
17.51-20.00	20,236	19.09	7.4	6,971	19.53
20.01-22.50	21,369	21.34	4.8	13,736	21.39
> 22.51	4,525	23.14	2.2	4,525	23.14
Total	62,269	19.06	6.0	26,873	20.96

Share plans

For the calculation of the expense for the share plans, various models were used. The total expense in 2005 for plans granted after 7 November 2002 amounted to EUR 19 million (2004: EUR 22 million). The following table presents a summary of all shares conditionally granted to the Top Executives of ABN AMRO. For the number of shares granted on the TRS-ranking under the Performance Share Plan, a ranking of fifth in the peer group has been assumed.

(in thousands)	**2005**	2004
Balance at 1 January	**3,688**	4,741
Granted	**2,892**	1,797
Forfeited	**(283)**	(2,850)
Vested	**(660)**	–
Balance at 31 December	**5,637**	3,688

44 Acquisitions and disposals of subsidiaries

Acquisitions in 2005 and 2004

The following acquisitions were made in 2005 and 2004 and were accounted for using the purchase method:

	% acquired	Consider-ation	Total assets	Acquisition Date
Acquired companies				
2005:				
Bank Corluy	100	50	121	27 April 2005
Private equity acquisitions	51-100	43	2,174	various
2004:				
Bethmann Maffei	100	110	812	30 January 2004
Private equity acquisitions	51-100	112	963	various

The acquisitions in 2005 contributed a net loss of EUR 7 million to the consolidated net profit for the year.

Disposal in 2005 and 2004

During 2005 the Group disposed of the following activities:
- Real Seguros in Brazil which was transferred to a joint venture
- Nachenius, Tjeenk & Co.

These operations contributed EUR 22 million to the consolidated net profit for the year ended 31 December 2004 and EUR 12 million in 2005.

During 2004 the Group disposed of the following activities:
- LeasePlan Corporation
- Bank of Asia.

Business combinations in 2006

On 2 January 2006 the Group entered into the business combination with Banca Antoniana Popolare Veneta (Banca Antonveneta) to increase its mid-market footprint, and to continue and accelerate the successful partnership that gives access to the large and attractive Italian banking market and to the high-quality customer base of Banca Antonveneta.

During 2005 the Group increased its interest in Banca Antonveneta from 12.7% to 29.9%. On 2 January 2006 the Group further increased its interest in Banca Antonveneta from 29.9% to 55.8% following the purchase of 79.9 million shares in Banca Antonveneta from Banca Popolare Italiana (BPI). This increase has effectively given the Group a controlling interest in Banca Antonveneta as from 2 January 2006, the acquisition date of the business combination. The acquisition of the shares was performed in accordance with the agreement with BPI announced on 26 September 2005. The Group paid EUR 26.50 per share, representing a cash consideration of EUR 2.1 billion.

As a result of this increased interest in Banca Antonveneta, in accordance with the Italian law, the Group has launched a mandatory public offer for the remaining shares it does not already hold in Banca Antonveneta.

On 26 February 2006 the Group published the offering document for the cash offer for all ordinary shares in Banca Antonveneta. The offering period started on 27 February 2006 and will end on 31 March 2006, as agreed with the Italian stock exchange Borsa Italiana. ABN AMRO will pay Banca Antonveneta shareholders a consideration of EUR 26.50 a share for each Banca Antonveneta ordinary share purchased through the offer, as already announced on 26 September 2005.

Following further purchases of shares in the open market, as at 16 March 2006 ABN AMRO's interest in Banca Antonveneta amounts to 76.0% of its outstanding share capital.

Business combination achieved in stages

The acquisition of Banca Antonveneta by the Group is being achieved in stages through successive share purchases. The Group has identified two stages in achieving this business combination.

The first stage has ended with the announcement by the Group on 30 March 2005 of its intention to launch the cash offer for all ordinary shares of Banca Antonveneta. At that date the 12.7% holding of the Group in Banca Antonveneta was accounted for as an associate in accordance with the equity method. The adjustment to fair value of the 12.7% holding of the Group in Banca Antonveneta amounting to EUR 101 million – following the fair valuation of assets and liabilities of Banca Antonveneta as per the acquisition date in accordance with the purchase method – will be accounted for as a revaluation through shareholders' equity.

The second stage has started as of 1 April 2005 and will be completed by 31 March 2006, the end of the offering period. The Group has presumed that the fair values of assets and liabilities of Banca Antonveneta as at 2 January 2006 represent the fair values of assets and liabilities of Banca Antonveneta during the second stage of the acquisition between 1 April 2005 and 31 March 2006. The stable economic environment and specific business circumstances of Banca Antonveneta during the second stage of the acquisition have not had a material impact on the fair values of assets and liabilities of Banca Antonveneta during that period.

The acquisition of Banca Antonveneta will be accounted for in accordance with the purchase method as described in IFRS 3 – Business Combinations. The total purchase price to acquire 100% of the outstanding shares of Banca Antonveneta amounts to EUR 7.5 billion, including costs directly attributable to the combination of EUR 32 million.

The preliminary allocation of the purchase price to the assets acquired – including newly identifiable intangible assets resulting from the acquisition – and (contingent) liabilities assumed, using their fair values at the acquisition date and the resulting goodwill, is presented in the following table.

This allocation is based on provisional fair values of assets acquired and liabilities assumed, and may be adjusted during the period up to 31 December 2006 as more information is obtained about these fair values.

The fair values of the identifiable assets and liabilities of Banca Antonveneta as at 2 January 2006 are:

	Recognised on acquisition by the group	Carrying value Banca Antonveneta
Intangible assets	1,238	848
Property and equipment	772	751
Financial assets	43,112	41,936
Deferred tax assets	958	736
All other assets	3,359	3,461
Total identifiable assets	49,439	47,732
Deferred tax liabilities	684	147
All other liabilities	45,463	44,487
Total identifiable liabilities	46,147	44,634
Total net assets	3,292	3,098
Purchase price (100%)	7,464	
Net assets	(3,292)	
Fair value adustment of 12.7% investment included in shareholders' equity	101	
Goodwill arising on acquisition of 100% outstanding shares	4,273	

Newly identifiable intangible assets recognised upon acquisition

As a result of the acquisition, the Group – on a pre-tax basis – will recognise newly identifiable intangible assets as follows:

Core deposit intangible assets	400
Core overdraft intangible assets	224
Other customer relationship intangible assets	325
Other intangible assets	245
Total	1,194

The amortisation period for all newly identifiable intangible assets is on average approximately 8 years. The Group estimates that the total amortisation expense (pre-tax) related to the newly identifiable intangible assets will amount to EUR 174 million in each of the next three years up to and including 2008 and to EUR 142 million for each of the five years thereafter up to and including 2013.

Goodwill

Goodwill represents expected revenue and cost synergies from the business combination and the value of the workforce of Banca Antonveneta which cannot be recognised separately from goodwill.

45 Discontinued Operations

The Group had no discontinued operations in 2005. During 2004 the Group disposed of LeasePlan Corporation and the Bank of Asia. The aggregated operating performance and disposal gain for these discontinued operations was as follows.

	2004
Total operating income	736
Total expenses	519
Operating profit before tax	217
Gain recognised on disposal	1,275
Profit before tax from discontinued operations	1,492
Tax on operating profit	51
Tax on disposal gain	(6)
Profit from discontinued operations net of tax	1,447

46 Related parties

The Group has a related party relationship with associates (see notes 19 and 40), joint ventures (see note 41), pension funds (see note 27) and key management (see note 42).

The Group enters into a number of banking transactions with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates except for employees. No allowances for loan losses have been recognised in respect of loans to related parties in 2005 and 2004.

47 First-time adoption of IFRS

The impact of transition from Dutch GAAP to IFRS can be summarised as follows:

Reconciliation of shareholders' equity under Dutch GAAP to IFRS

	1 January 2004	31 December 2004
Shareholders' equity under Dutch GAAP	**13,047**	**14,972**
Release of fund for general banking risks	1,143	1,149
Reclassification of preference shares to subordinated liabilities	(813)	(767)
Reversal of property revaluation	(130)	(87)
Reclassification regarding Banco Real to subordinated liabilities	(231)	(231)
Transition impacts		
Release of interest equalisation reserve relating to the investment portfolio	1,563	
Derivatives and hedging	(560)	
Fair value adjustments	(160)	
Private Equity (consolidation and fair valuation)	56	
Loan impairment provisioning	(405)	
Property development	(108)	
Differences at LeasePlan Corporation	(148)	
Equity accounted investments	(100)	
Employee benefit obligations	(1,475)	
Other	(355)	
Total transition impact before taxation	(1,692)	
Taxation impact	(577)	
Total transition items (net of taxation)	(1,115)	(1,115)
Difference in 2004 profit	–	(244)
Impact of gains and losses not recognised in income statement		
Available-for-sale reserve	489	818
Cash flow hedging reserve	(165)	(283)
Dutch GAAP pension booking to equity not applicable under IFRS	–	479
Difference in currency translation account movement	–	(40)
Other differences affecting IFRS and Dutch GAAP equity		
Equity settled derivatives on own shares	(106)	16
Goodwill capitalisation under IFRS	–	46
Other	–	102
Total impact	**(928)**	**(157)**
Total shareholders' equity under IFRS	**12,119**	**14,815**

Reconciliation of 2004 net profit under Dutch GAAP to IFRS

	2004
Net profit under Dutch GAAP	4,109
Dividends accrued on preference shares	(43)
Net profit available to shareholders under Dutch GAAP	4,066
Reconciling items:	
Interest equalisation reserve amortisation relating to investment portfolio	(454)
Available-for-sale realisations and other (including hedging)	(19)
Mortgage banking activities	(161)
Fair value adjustments	(230)
Derivatives	11
Private Equity	129
Employee benefit obligations	89
Employee stock options	(21)
Differences in gain on sale of LeasePlan Corporation and Bank of Asia	224
Redemption costs relating to preference shares classified as interest cost under IFRS	(42)
Loan impairment provisioning	29
Other	(39)
Total impact before taxation	(484)
Tax effect	283
Net profit impact	(201)
Profit attributable to equity holders of the parent company under IFRS	**3,865**

Under Dutch GAAP, total assets and total liabilities at 31 December 2004 were EUR 608,623 million and EUR 589,372 million respectively, compared to EUR 727,454 million and EUR 710,902 million under IFRS. In addition to differences in valuation and income recognition ('transition difference') and equity / liability classification, the following changes impact the presentation of assets and liabilities:

- IFRS requires the consolidation of multi-seller conduits which impacted both total asset (loans and receivables customers) and total liabilities (due to customers) by EUR 23,700 million
- Under IFRS derivative netting can only be applied if, in addition to holding the right of set-off, we also have the intention to settle net. This 'intention' criteria is seldom met due to small differences in the timing of cash flows between derivatives with the same counterparty and the use of gross settlement accounts with derivative exchanges. This increased total assets (financial assets held for trading) and total liabilities (financial liabilities held for trading) by approximately EUR 97 billion
- Consolidating controlled private equity investments had the impact of increasing total assets and total liabilities by EUR 2,393 million
- Under IFRS funding instruments totalling EUR 3,714 million that previously qualified as equity, reported in minority interest and preference shares, are now presented as subordinated liabilities.

Upon transition at 1 January 2004 the following assets and liabilities were designated to be held at fair value with changes through income:

- Non-controlling interests in private equity investments. These investments were previously valued at cost less any required provision for impairment and presented within shares with a book value of EUR 1,079 million at 1 January 2004. The adjustment required to bring these investments to fair value at 1 January 2004 was EUR 9 million. These interests are now reported within 'financial investments'.
- Mortgages held-for-sale as part of our mortgage banking activities in North America. These mortgages were previously recorded at cost within 'loans to customer'. Under IFRS these loans are now reported within 'other assets' and had a fair value of EUR 4,209 million. This exceeded the cost amount by EUR 27 million, a sum which was largely offset by the requirement to fair value related hedging derivatives.

48 Subsequent events

On 2 January 2006 the Group obtained a controlling stake in Banca Antonveneta.
See note 44 for further details.

49 Major subsidiaries and participating interests

(Unless otherwise stated, the bank's interest is 100% or almost 100%, on 15 March 2006. 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

Netherlands

AAGUS Financial Services Group N.V., Amersfoort (67%)
AA Interfinance B.V., Amsterdam
ABN AMRO Arbo Services B.V., Amsterdam
ABN AMRO Asset Management Holding N.V., Amsterdam
  ABN AMRO Asset Management (Netherlands) B.V., Amsterdam
ABN AMRO Assurantie Holding B.V., Zwolle
ABN AMRO Bouwfonds Nederlandse Gemeenten N.V., Hoevelaken
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., Amersfoort
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
Solveon Incasso B.V., Utrecht
Stater N.V., Hoevelaken

Outside the Netherlands

Europe

ABN AMRO Asset Management Holdings Ltd., London
  ABN AMRO Asset Management Ltd., London
  Artemis Investment Management Ltd., Edinburgh (71%)
ABN AMRO Asset Management (Deutschland) GmbH, Frankfurt am Main
ABN AMRO Bank A.O., Moscow
ABN AMRO Bank (Deutschland) AG, Frankfurt am Main
ABN AMRO Bank (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 France S.A., Paris
  Banque de Neuflize, Paris
  Banque Odier Bungener Courvoisier, Paris
ABN AMRO Fund Managers (Ireland) Ltd., Dublin
ABN AMRO Futures Ltd., London
ABN AMRO Infrastructure Capital Management Limited, London
ABN AMRO International Financial Services Company, Dublin
ABN AMRO Investment Funds S.A., Luxembourg
ABN AMRO Stockbrokers (Ireland) Ltd., Dublin
Alfred Berg Holding A/B, Stockholm
Alfred Berg Asset Management Sweden A/B, Stockholm
Antonveneta ABN AMRO Societa di Gestione del Risparmio SpA, Milan
  (45% ABN AMRO Bank N.V.; 55% Banca Antonveneta Group) (a)
Aspis Internationaal MFMC, Athens (45%) (a)
Banca Antonveneta SpA, Padova (76%) (a), 16 March 2006
Capitalia SpA, Roma (8%) (a)
CM Capital Markets Holding S.A., Madrid (45%) (a)
Delbrück Bethmann Maffei AG, Frankfurt am Main
Hoare Govett Ltd., London
Kereskedelmi és Hitelbank Rt., Budapest (40%) (a)

North America

ABN AMRO Asset Management Canada Ltd, Toronto
ABN AMRO Capital Markets Canada Ltd., Toronto
ABN AMRO Bank (Mexico) S.A., Mexico City
ABN AMRO North America Holding Company, Chicago
  (holding company, voting right 100%, equity participation 92%)
  LaSalle Bank Corporation, Chicago
    LaSalle Bank N.A., Chicago
      LaSalle Financial Services, Inc., Chicago
      LaSalle National Leasing Corporation, Chicago
        LaSalle Business Credit, LLC., Chicago
    LaSalle Bank Midwest N.A., Troy
      ABN AMRO Mortgage Group, Inc., Chicago
    ABN AMRO Advisory, Inc., Chicago (81%)
    ABN AMRO Capital (USA) Inc., Chicago

ABN AMRO Incorporated, Chicago
ABN AMRO Sage Corporation, Chicago
ABN AMRO Rothschild LLC, New York (50%) (b)
ABN AMRO Asset Management Holdings, Inc., Chicago
ABN AMRO Asset Management (USA) LLC., Chicago
ABN AMRO Asset Management Inc., Chicago
ABN AMRO Investment Fund Services, Inc, Chicago
Montag & Caldwell, Inc., Atlanta

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 Asset Management (Asia) Ltd., Hong Kong
ABN AMRO Asset Management (Japan) Ltd., Tokyo
ABN AMRO Asset Management (India) Ltd., Mumbai (75%)
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 Securities (India) Private Ltd., Mumbai (75%)
ABN AMRO Securities (Japan) Ltd., Tokyo
PT ABN AMRO Finance Indonesia, Jakarta (70%)
PT ABN AMRO Manajemen Investasi Indonesia, Jakarta (96%)

Australia
ABN AMRO Asset Management (Australia) Ltd., Sydney
ABN AMRO 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
ABN AMRO Capital Management (Australia) Pty Limited, Sydney

New Zealand
ABN AMRO New Zealand Ltd., Auckland
ABN AMRO Equity Derivatives New Zealand Limited, Auckland

Latin America and the Caribbean
ABN AMRO Asset Management Argentina Sociedad Gerente de FCI S.A., Buenos Aires
ABN AMRO Bank (Chile) S.A., Santiago de Chile
ABN AMRO Bank (Colombia) S.A., Bogotá
ABN AMRO (Chile) Seguros Generales S.A., Santiago de Chile
ABN AMRO (Chile) Seguros de Vida S.A., Santiago de Chile

ABN AMRO Brasil Participações Financeiras S.A., São Paulo
ABN AMRO Brasil Dois Participações S.A., São Paulo
  Banco ABN AMRO Real S.A., São Paulo (89%)
  Banco de Pernambuco S.A., Recife
Banco Sudameris Brasil S.A., São Paulo (85%)
  Sudameris Vida e Previdência S.A., São Paulo
ABN AMRO Asset Management DVTM S.A., São Paulo
ABN AMRO Asset Management S.A., São Paulo
Real Paraguaya de Seguros S.A., Asunción
Real Uruguaya de Seguros S.A., Montevideo

For information on the investments of ABN AMRO Bouwfonds Nederlandse Gemeenten N.V., the reader is referred to the separate annual report published by this company.

The list of participating interests under which statements of liability have been issued has been filed at the Amsterdam Chamber of Commerce.

Amsterdam, 23 March 2006

Supervisory Board

A.A. Loudon
A.C. Martinez
A. Burgmans
D.R.J. Baron de Rothschild
Mrs L.S. Groenman
Mrs T.A. Maas-de Brouwer
M.V. Pratini de Moraes
P. Scaroni
Lord Sharman of Redlynch
A.A. Olijslager
R.F. van den Bergh
A. Ruys

Managing Board

R.W.J. Groenink
W.G. Jiskoot
T. de Swaan
J.Ch.L. Kuiper
C.H.A. Collee
H.Y. Scott-Barrett
H.G. Boumeester
P.S. Overmars
R. Teerlink

Financial Statements ABN AMRO Holding NV (Parent Company) 2005

Accounting policies

The entity financial statements of ABN AMRO Holding N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. Starting 1 January 2005, the Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied in the entity financial statements are the same as those applied in the consolidated financial statements. The valuation of participating interests in Group companies which are valued at net asset value determined on the basis of IFRS as adopted by the European Union. Reference is made to page 112.

Changes in accounting policies

In 2005, ABN AMRO Holding N.V. decided to adopt the same accounting policies for measurement and recognition in its entity financial statements as applied in the consolidated financial statements. ABN AMRO Holding N.V. decided to change the accounting principles as these policies improve the reporting for the entity financial statements and to have a single set of accounting policies for the subsidiaries. As a consequence, the profit for the year and the total shareholders' equity in the entity accounts is the same as in the consolidated financial statements. The policies have been consistently applied in all years presented and comparative numbers have been amended.

The adoption of these accounting policies in the consolidated financial statements resulted in changes in the recognition, measurement and classification of assets and liabilities and determination of results. The Group has made use of exemptions available under IFRS 1.

Effective 1 January 2005, the Dutch legal requirements for certain reserves in shareholders' equity were modified. Due to the changes in the law in combination with changes in the accounting policies, the composition of shareholders' equity has changed. The changes recorded by ABN AMRO Holding N.V. relate mainly to the consequences of the adoption of IFRS on the subsidiaries of ABN AMRO Holding.

The following table shows the impact of the changes in accounting policies of ABN AMRO Holding N.V. on shareholders' equity as at 31 December 2004 and net profit for the year 2004. The impact is consistent with the impact of the transition from Dutch GAAP to IFRS as shown in the consolidated statements.

Impact of changes in accounting policies on shareholdings' equity

	2004
Shareholders' equity at 31 December 2004 before change in accounting policies	**14,972**
Release of fund for general banking risks	1,149
Reclassification of preference shares to subordinated liabilities	(767)
Reversal of property revaluation	(87)
Reclassification regarding Banco Real to subordinated liabilities	(231)
Transition impacts	
Release of interest equalisation reserve relating to the investment portfolio	1,563
Derivatives and hedging	(560)
Fair value adjustments	(160)
Private equity (consolidation and fair valuation)	56
Loan impairment provisioning	(405)
Property development	(108)
Differences at LeasePlan Corporation	(148)
Equity accounted investments	(100)
Employee benefit obligations	(1,475)
Other transition impacts	(355)
Total transition impact before taxation	(1,692)
Taxation impact	(577)
Total transition items (net of taxation)	(1,115)
Difference in 2004 profit	(244)
Impact of gains and losses not recognised in income statement	
Available-for-sale reserve	818
Cash flow hedging reserve	(283)
Pension booking to equity not applicable under IFRS	479
Difference in currency translation account movement	(40)
Other differences affecting IFRS and Dutch GAAP equity	
Equity settled derivatives on own shares	16
Goodwill capitalisation under IFRS	46
Other	102
Total impact	(157)
Shareholders' equity at 31 December after changes in accounting policies	**14,815**

Impact of changes in accounting policies on net profit

	2004
Net profit before changes in accounting policies	4,109
Dividends accrued on preference shares	(43)
Net profit available to shareholders	4,066
Reconciling items:	
Interest equalisation reserve amortisation relating to investment portfolio	(454)
Available-for-sale realisations and other (including hedging)	(19)
Mortgage banking activities	(161)
Fair value adjustments	(230)
Derivatives	11
Private Equity	129
Employee benefit obligations	89
Employee stock options	(21)
Differences in gain on sale of LeasePlan Corporation and Bank of Asia	224
Redemption costs relating to preference shares classified as interest cost under IFRS	(42)
Loan impairment provisioning	29
Other	(39)
Total impact before taxation	(484)
Tax impact	283
Net profit impact	(201)
Profit after changes in accounting policies	**3,865**

Participating interests in Group companies

ABN AMRO Holding N.V. has one participation and is the sole shareholder of ABN AMRO BANK N.V, Amsterdam.

Basis of preparation

The financial statements are presented in millions of euros, which is the presentation currency of the Group entities.

Company income statement for 2005

(in millions of euros)	**2005**	2004
Profits of participating interests after taxes	**4,398**	3,948
Other profit after taxes	**(16)**	(83)
Net profit	**4,382**	3,865

Company balance sheet at 31 December 2005 (before profit appropriation)

(in millions of euros)	**2005**	2004
Assets		
Loans and receivables – banks **a**	**3,685**	0
Interest-earning securities **b**	**20**	10
Participating interests in Group companies **c**	**19,332**	15,843
Accrued income and prepaid expenses **d**	**4**	0
Total assets	**23,041**	15,853
Liabilities		
Due to banks	**0**	240
Due to customers	**20**	20
Other liabilities **e**	**32**	10
	52	270
Subordinated liabilities **f**	**768**	768
Total liabilities	**820**	1,038
Share capital	***1,069***	*954*
Share premium account	***5,269***	*2,604*
Other reserves	***15,883***	*11.257*
Shareholders' equity **g**	**22,221**	14,815
Total equity and liabilities	**23,041**	15,853

Drawn up in accordance with section 2:402 of the Netherlands Civil Code.

Letters stated against items refer to the notes.

Company statement of changes in equity in 2005

(in millions of euros)	**2005**	2004
Issued and paid up share capital		
Balance at 1 January	**954**	919
Issuance of shares	**82**	–
Exercised options and warrants	**–**	2
Dividends paid in shares	**33**	33
Balance at 31 December	**1,069**	954
Share premium		
Balance at 1 January	**2,604**	2,549
Issuance of shares	**2,611**	–
Options and conversion rights exercised	**–**	48
Share-based payments	**87**	40
Dividends paid in shares	**(33)**	(33)
Balance at 31 December	**5,269**	2,604
Other reserves and reserves prescribed by law		
Balance at 1 January	**11,580**	8,469
Profit for the year	**4,382**	3,865
Dividends paid	**(659)**	(694)
Other	**(66)**	(60)
Balance at 31 December	**15,237**	11,580
Treasury shares		
Balance at 1 January	**(632)**	(119)
Net purchase / sale of treasury shares	**32**	(513)
Balance at 31 December	**(600)**	(632)
Equity settled own share derivatives		
Balance at 1 January	**–**	(106)
Change in market value and settlements	**–**	106
Balance at 31 December	**–**	–
Net gains / (losses) not recognised in the income statement		
Currency translation account		
Balance at 1 January	**(238)**	–
Transfer to income statement relating to disposed subsidiaries	**(20)**	2
Currency translation differences	**1,100**	(240)
Subtotal – balance at 31 December	**842**	(238)
Net unrealised gains / (losses) on available-for-sale assets		
Balance at 1 January	**830**	572
Net unrealised gains / (losses) on available-for-sale assets	**717**	509
Net losses / (gains) reclassified to the income statement	**(348)**	(251)
Subtotal – balance at 31 December	**1,199**	830
Cash flow hedging reserve		
Balance at 1 January	**(283)**	(165)
Net unrealised gains / (losses) on the revaluation of cash flow hedges	**(386)**	(106)
Net losses / (gains) reclassified to the income statement	**(126)**	(224)
Subtotal – balance at 31 December	**(795)**	(283)
Net gains / (losses) not recognised in the income statement at 31 December	**1,246**	309
Total equity at 31 December	**22,221**	14,815

Notes to the company balance sheet and income statement

(all amounts are in millions of euros)

a Loans and receivables – banks

This item includes loans and deposits to and other interbank relations with Group companies. The maturity of these loans and receivables is less than one year.

b Interest-earning securities

The amount included in this item represents securitised receivables, such as commercial paper.

	2005	2004
Balance at 1 January	**10**	20
Purchases	**89**	100
Sales	**(79)**	(110)
Balance at 31 December	**20**	10

c Participating interests in Group companies

Dividends payable by ABN AMRO Bank N.V to ABN AMRO Holding N.V. amounted to EUR 1,520 million (2004: EUR 1,751 million).

	2005	2004
Balance at 1 January	**15,843**	12,535
Net profit for the year	**4,398**	3,948
Dividends received	**(1,751)**	(677)
Currency translation differences	**1,080**	(238)
Other movements	**(238)**	275
Balance at 31 December	**19,332**	15,843

d Accrued income and prepaid expenses

This item includes income and expenses recognised in the period under review, the actual receipt or payment of which falls in a different period.

e 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.

f Subordinated liabilities

In 2004, as part of our revised corporate governance processes, the registered preference shares outstanding at the end of 2003 with a defence function were cancelled and new registered convertible financing preference shares were issued that perform no defence function. During 2005 the number of outstanding convertible financing preference shares (face value EUR 0.56) remained unchanged at 1,369,815,864. Also remained unchanged were the number of outstanding (formerly convertible) preference shares (face value EUR 2.24) at 44,988. The dividend on the financing preference shares has been fixed with effect from 1 October 2004 at 4.65% of the face value. This percentage will be adjusted on 1 January 2011 in the manner stipulated in the articles of association.

Dividends on the financing (formerly convertible) preference shares rank above ordinary dividends for distribution and in the event of liquidation. The dividend on these preference shares, which were convertible until 31 October 2003, has been fixed at 1 January 2004 at EUR 0.95 per share per annum until the end of 2013.

g Shareholders' equity

Shareholders' equity

	2005	2004
Share capital	**1,069**	954
Reserves	**21,152**	13,861
Total	**22,221**	14,815

Share capital

	2005	2004
Movements in number of issued ordinary shares		
Balance at 1 January	**1,702,888,861**	1,643,220,517
New issue	**145,278,482**	–
Dividends paid in shares	**61,571,084**	59,668,344
Balance at 31 December	**1,909,738,427**	1,702,888,861

	2005	2004
Movements in number of treasury shares		
Balance at 1 January	**33,686,644**	5,337,689
Use for options exercised	**(1,868,242)**	(497,512)
Repurchase	**–**	28,846,467
Balance at 31 December	**31,818,402**	33,686,644

As at 31 December 2005, a total of 31,818,402 ordinary shares (book value: EUR 600 million) were repurchased in connection with the Performance Share Plan and future exercise of staff options.

Reserves

	2005	2004
Share premium account	**5,269**	2,604
Non distributable reserve shares	**10**	10
Non distributable profit participations	**542**	270
Currency translation differences reserve	**842**	(238)
Cash flow hedge reserve	**(795)**	(283)
Available for sale assets reserve	**1,199**	830
Unrealised gains on financial instruments elected to fair value	**381**	260
Other reserves	**13,704**	10,408
Total reserves	**21,152**	13,861

The share premium account is mainly regarded as paid-up capital for tax purposes. Of total reserves EUR 3,104 million (2004: EUR 1,785 million) is not distributable.

Guarantees

ABN AMRO Holding N.V. guarantees all liabilities of ABN AMRO Bank N.V.

Remuneration Managing Board

Reference is made to note 42 of the consolidated accounts.

Amsterdam, 23 March 2006

Supervisory Board

A.A. Loudon
A.C. Martinez
A. Burgmans
D.R.J. Baron de Rothschild
Mrs L.S. Groenman
Mrs T.A. Maas-de Brouwer
M.V. Pratini de Moraes
P. Scaroni
Lord Sharman of Redlynch
A.A. Olijslager
R.F. van den Bergh
A. Ruys

Managing Board

R.W.J. Groenink
W.G. Jiskoot
T. de Swaan
J.Ch.L. Kuiper
C.H.A. Collee
H.Y. Scott-Barrett
H.G. Boumeester
P.S. Overmars
R. Teerlink

other information

Auditors' report

Introduction

We have audited the financial statements of ABN AMRO Holding N.V., Amsterdam, for the year 2005 (as set out on pages 110 to 216). These financial statements consist of the consolidated financial statements and the company financial statements. 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 with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards and with International Financial Reporting Standards as adopted by the EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent of our competence that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with the accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the company financial statements.

Amsterdam, 23 March 2006

for Ernst & Young Accountants

V.C. Veger C.B. Boogaart

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 financing shares convertible into ordinary shares (preference shares) issued pursuant to the resolution passed by the extraordinary meeting of shareholders on 25 August 2004 will receive a dividend of EUR 0.02604 per share, representing 4.65% of the face value. As from 1 January 2011, and every ten years thereafter, the dividend percentage on the preference shares will be adjusted in line with the arithmetical average of the ten-year euro-denominated interest rate swap as published by Reuters on the relevant dividend calculation dates, plus an increment to be set by the Managing Board with the approval of the Supervisory Board. This increment will be of no less than 25 basis points and no more than one hundred basis

points, depending on the market situation at that time (article 37.2.a.1. and a.2.).

The holders of preference shares that were formerly convertible into ordinary shares (convertible shares) will receive a dividend of EUR 0.95 per share, representing 3.3231% of the amount paid on each share as of 1 January 2004. As from 1 January 2014, and every ten years thereafter, the dividend on the convertible shares will be adjusted in the manner described in the articles of association (article 37.2.a.4.).

No profit distributions will be made to holders of preference shares or convertible shares in excess of the maximum levels defined above (article 37.2.a.6.).

2 From the profit remaining after these distributions, the Managing Board may decide to make appropriations to reserves, subject to the approval of the Supervisory Board (article 37.2.b.).

3 The allocation of the amount remaining after these appropriations shall be determined by the General Meeting of Shareholders. The Managing Board, subject to the approval of the Supervisory Board, shall make a proposal to that effect. A proposal to pay a dividend shall be dealt with as a separate item at the General Meeting of Shareholders (article 37.2.b.).

ABN AMRO Holding's policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Managing Board. The adoption of and each subsequent amendment to the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item (article 37.2.c.).

Notwithstanding the provisions of article 37.2.a.1 and a.2 referred to under 1 above, after 1 January 2011 the Managing Board may, with the approval of the Supervisory Board, resolve not to pay the dividend on the relevant Preference Shares in cash out of the profit, or to pay the dividend on the relevant preference shares out of a freely distributable reserve. In such cases the part of the profit not paid out shall be added to the general reserve. The Managing Board may only pass such a resolution if no dividend is to be paid on the ordinary shares in the relevant year, in accordance with the provisions of article 37.2.c. Subject to approval of the Supervisory Board, the Managing Board can make the dividend or interim dividend on the ordinary shares payable, at the discretion of the holders, either in cash or, provided it is authorised to issue shares, partly or wholly in the form of ordinary or preference shares in the company's capital or in a combination thereof, such combination to be determined by the Managing Board (article 37.3.).

Stipulations of the articles of association of Holding and trust office with respect to shares and voting rights

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 preference shares have the same nominal value as the ordinary shares, at EUR 0.56 each. Each preference share is entitled to one vote. The convertible 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.

All of the preference shares are held at the trust office Stichting Administratiekantoor Preferente Financieringsaandelen ABN AMRO Holding (the Trust Office), which acts as record owner, issuing depositary receipts evidencing ownership interests in preference shares to their beneficial owners.

Contrary to the former structure, the voting rights on the preference shares, although formally held by the Trust Office, are exercised in practice by the depositary receipt holders, since voting proxies will be issued to the depositary receipt holders by the Trust Office under all circumstances. The

Trust Office will, in principle, not exercise its voting rights. The depositary receipt holders' voting rights will be calculated on the basis of the equity participation of the (depositary receipts of) preference shares in proportion to the value of the ordinary shares. Voting rights on preference shares granted to a depositary receipt holder by proxy will correspond to the amount of depositary receipts held by the depositary receipt holder in relation to the stock price of the ordinary shares at the close of the last trading day of the Euronext Amsterdam in the month preceding the calling of the shareholders' meeting.

Subject to certain exceptions, upon the issuance of ordinary shares and convertible shares, holders of ordinary 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 will be distributed (1) first, to the holders of preference shares and convertible 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 plus the face value of the preference shares or the amount paid in on the convertible shares respectively, and (2) second, to the holders of ordinary shares on a pro rata basis.

Subsequent events

On 25 February 2006 ABN AMRO published the offering document for the cash offer for all ordinary shares of Banca Antonveneta. ABN AMRO pays Banca Antonveneta shareholders a consideration of EUR 26.50 for each Banca Antonveneta ordinary share to be purchased through the offer. The offering period, as agreed with the Italian stock exchange Borsa Italiana, is from 27 February to 31 March 2006.

Proposed profit appropriation

Appropriation of net profit pursuant to article 37.2 and 37.3 of the articles of association

(in millions of euros)	**2005**	2004
Addition to reserves	**2,332**	2,200
Dividends on ordinary shares	**2,050**	1,665
	4,382	3,865
Dividends on preference shares	**36**	43

Comparison of the corporate governance regulations based upon the Dutch corporate governance code and the US Sarbanes-Oxley Act of 2002 (SOXA)

Overview of applicable regulations	ABN AMRO action	Equivalent Dutch best practice provisions 1
1 Auditor independence		
Prohibition of Certain Non-Audit Services (SOXA s201): The accounting firm that performs an audit of a company's financial statements is prohibited from performing certain non-audit services.	This requirement has been incorporated into ABN AMRO's Policy on Auditor Independence (2).	III.5.4 and V.2.2
Pre-approval of Services (SOXA s201-202): Pre-approval by the Audit Committee of the performance by the auditor of all audit and permissible non-audit services.	This requirement has been incorporated into ABN AMRO's Audit Committee Pre-Approval Policy for External Audit Firm Services (2).	V.1.2 and V.2.2
Accountant Fees and Related Policies Disclosure (SOXA s202): Disclosure to investors of the Audit Committee's pre-approval policies, and fees paid to, the auditor.	These disclosures are made in ABN AMRO's Annual Report filed with the Securities & Exchange Commission on Form 20-F (the Form 20-F) for 2004 (2).	V.2.2 and V.2.3
Audit Partner Rotation (SOXA s203): The rotation of audit partners is required after a certain number of years.	This requirement has been incorporated into ABN AMRO's Policy on Auditor Independence (2).	III.5.4; V.2.2; and V.2.3
Auditor Reports to the Audit Committee (SOXA s204): The auditor must provide the Audit Committee with timely reports regarding critical accounting policies and practices used by the company, alternative treatments of financial information discussed with management including the auditors preferred treatment and other material communications between the auditor and management.	This requirement has been incorporated into ABN AMRO's Policy on Auditor Independence (2).	III.5.4; III.5.9; V.4.1; V.4.2 and V.4.3
Employment of Former Auditor Personnel (SOXA s206): An auditor is deemed not to be independent if certain senior executives of the company have been employed by the auditor and participated in the audit of the company in the year preceding the current audit.	This restriction has been incorporated into ABN AMRO's Policy on Auditor Independence (2).	III.5.4; V.2.2 and V.2.3
Audit Partner Compensation (SOXA s203): Prohibition of an audit partner from receiving compensation based upon selling non-audit services to the audit client.	This requirement has been incorporated into ABN AMRO's Policy on Auditor Independence (2).	III.5.4; V.2.2 and V.2.3

1 *The full text of the equivalent best practice provisions (and ABN AMRO's compliance in respect thereof) can be found in the Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com).*
2 *The full text (or where applicable a synopsis) hereof can be found on our corporate website (www.abnamro.com).*

Overview of applicable regulations	ABN AMRO action	Equivalent Dutch best practice provisions [1]
2 Audit Committee		
Auditor Oversight (SOXA s301): The Audit Committee must be given responsibility for the appointment, compensation, retention and oversight of the work of the auditor.	This requirement has been incorporated into ABN AMRO's Rules Governing the Supervisory Board's Principles and Best Practices (**2**).	III.5.4; III.5.5; III.5.8 and III.5.9
Audit Committee Independence (SOXA s301): All Audit Committee members must be independent. To be independent, audit committee members may not (other than in their capacity as a board or committee member): i) accept any consulting, advisory or compensatory fees; or ii) be affiliated with the company or any of its subsidiaries.	This requirement has been incorporated into ABN AMRO's Rules Governing the Supervisory Board's Principles and Best Practices (**2**).	III.2.2; III.5.1 and III.5.6
Whistleblower Procedures & Protections (SOXA s301; s806 and s1107): The Audit Committee must establish whistleblower procedures for: i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and audit matters; and ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Companies are prohibited from discriminating against whistleblowers.	The Managing Board and the Audit Committee of the Supervisory Board approved a general Whistle Blowing Policy (**2**) which provides appropriate procedures and protections for all employees to report suspected malpractice, including a direct reporting line to the Audit Committee.	II.1.6
Audit Committee Engagement of Advisors and Payment of their Expenses (SOXA s301): The Audit Committee must be given the authority to engage advisors as the committee determines necessary and the company must provide appropriate funding for their compensation.	This requirement has been incorporated into ABN AMRO's Rules Governing the Supervisory Board's Principles and Best Practices (**2**).	III.1.9 and III.5.4
Audit Committee Financial Experts (SOXA s407): Companies must disclose whether the Audit Committee has at least one member who is an "audit committee financial expert" and whether or not the particular person is independent.	These disclosures are made in the Form 20-F.	III.5.2 and III.5.7

1 *The full text of the equivalent best practice provisions (and ABN AMRO's compliance in respect thereof) can be found in the Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com).*
2 *The full text (or where applicable a synopsis) hereof can be found on our corporate website (www.abnamro.com).*

Overview of applicable regulations	ABN AMRO action	Equivalent Dutch best practice provisions [1]
3 CEO / CFO Certifications		
CEO/CFO 302 Certification: The Form 20-F must be accompanied by a certification from the CEO and CFO that: i) the financial information included in the Form 20-F fairly represents, in all material respects, the company's financial position, results of operations and cash flows; ii) that they are responsible for establishing and maintaining disclosure procedures and control, evaluated their effectiveness as of the end of the year and disclosed any change in the company's internal control over financial reporting that materially effects such internal control; and iii) that they have disclosed all significant deficiencies and weaknesses in the design and operation of internal control over financial reporting as well as any related fraud on the part of management or other employees.	The s906 and s302 certifications are provided in the Form-20F.	II.1.3; II.1.4; II.1.5; III.1.8 and V.1.3
CEO/CFO 906 Certification (SOXA s906): The Form 20-F must be accompanied by a certification from the CEO and CFO that the report fully complies with reporting requirements and fairly represents, in all material respects, the company's financial position and results of operations. As Dutch credit institution we also have to maintain the Regulation on Organization and Control (ROC) which is based on the Act of the Supervision of the Credit System 1992. The principle of the ROC is that credit institutions are responsible for organising and controlling their business processes in such a way that their business is conducted in a controlled and sound manner. By meeting the requirements of both Section 302 and the ROC we are of the opinion that we are in this aspect in compliance with the Dutch corporate governance code.		

1 *The full text of the equivalent best practice provisions (and ABN AMRO's compliance in respect thereof) can be found in the Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com).*

Overview of applicable regulations	ABN AMRO action	Equivalent Dutch best practice provisions [1]
4 General corporate governance		
Prohibition of Loans to Directors & Executive Officers (SOXA s402): Companies are prohibited from making loans to directors and executive officers, with exceptions for companies that provide financial services in the ordinary course of their business.	ABN AMRO extends loans to directors and executive officers in accordance with the exception given to financial institutions.	II.2.8 and III.7.4
Management Assessment of Internal Controls (SOXA s404): Companies must include in their Form 20-F a report on the company's internal control over financial reporting which includes management's assessment of the effectiveness of the company's internal control over financial reporting. The auditor gives an attestation report on management's assessment.	ABN AMRO will provide a report on management's assessment of internal control over financial reporting and the auditor's attestation in the Form 20-F covering 2006.	II.1.3; II.1.4; II.1.5; III.1.8; V.1.3 and V.4.3
Code of Ethics (SOXA s406): The company must disclose whether it has adopted a code of ethics for the Chief Executive Officer and Senior Financial Officers.	The standards of ethical conduct ABN AMRO expects from its employees, including the CEO and Senior Financial Officers, are found within ABN AMRO's Business Principles (2) which constitutes a "code of ethics" for the purposes of SOXA.	II.1.3

1 The full text of the equivalent best practice provisions (and ABN AMRO's compliance in respect thereof) can be found in the Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com).

2 The full text (or where applicable a synopsis) hereof can be found on our corporate website (www.abnamro.com).

ABN AMRO Holding N.V.

Supervisory Board

A.A. Loudon (69) *@ – 2006
Chairman
Former Chairman of the Board of Management of AKZO Nobel N.V.

A.C. Martinez (66) *#& – 2006
Former Chairman and CEO of Sears Roebuck & Co. Inc.

A. Burgmans (59) *&@ – 2006
Non-Executive Chairman of Unilever plc and Unilever N.V.

D.R.J. Baron de Rothschild (63) – 2007
Senior Partner of Rothschild & Cie. Banque

Mrs L.S. Groenman (65) – 2007
Former Crown Member Sociaal-Economische Raad (SER)

Mrs T.A. Maas-de Brouwer (59)*& – 2008
President of HayVision Society

M.V. Pratini de Moraes (66) # – 2007
Former Minister of Agriculture, Livestock and Food Supply for Brazil

P. Scaroni (59) – 2007
CEO of ENI S.p.A.

Lord Sharman of Redlynch (63) # – 2007
Former Chairman of KPMG International

A.A. Olijslager (62) # – 2008
Former Chairman of the Board of Management of Friesland Coberco Dairy Foods Holding N.V.

R.F. van den Bergh (55) – 2009
Chairman of the Executive Board and CEO of VNU N.V.

A. Ruys (58) – 2009
Former Chairman of the Executive Board of Heineken N.V.

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 and on www.abnamro.com.

** Member of the Nomination & Compensation Committee.*
 # Member of the Audit Committee.
& Member of the Compliance Oversight Committee.
@ To retire from Supervisory Board with effect of 27 April 2006.

Managing Board

R.W.J. Groenink (56)
Chairman

W.G. Jiskoot (55)
T. de Swaan (60)
J.Ch.L. Kuiper (58)

C.H.A. Collee (53)
H.Y. Scott-Barrett (47)
H.G. Boumeester (46)

P.S Overmars (41)
R. Teerlink (45)

Company Secretary

H.W. Nagtglas Versteeg

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.

S.H.M. Brenninkmeijer
Chairman of the Managing Board of COFRA Holding AG

R.J.A. van der Bruggen
Chairman of the Board of Management of Imtech N.V.

R. van Gelder BA
Chairman of the Management Board of Royal Boskalis Westminster N.V.

Ms N. McKinstry
Chairman of the Executive Board of Wolters Kluwer N.V.

A. Nühn
Chairman of the Board of Management of Sara Lee DE International B.V.

H.Th.E.M. Rottinghuis
President and CEO of the Board of Directors of Pon Holdings B.V.

J. Struik
President and CEO of Struik Food Group N.V.

P.J.J.M Swinkels
CEO of Bavaria N.V.

N.M. Wagenaar
CEO of Getronics PinkRoccade N.V.

L.M. van Wijk
Vice President of the Board of Directors Air France-KLM

Situation as at 23 March 2006

Curricula vitae

Curriculum vitae G.-J. Kramer

Education

1966

Master of Science Civil Engineering, Delft University of Technology

1968

Business Economics, Ring van Rotterdamse Repetitoren

Employment

1966-1967

Design Engineer, Department of Maritime Construction, Dutch Government

1967-1968

Naval hydrographic officer, The Royal Dutch Navy

1968-1977

Project manager, Koninklijke Adriaan Volker Groep (today Koninklijke Volker Wessels Stevin N.V.)

1977-1983

Director, Broekhoven Baggermaatschappij Zeist (today part of Van Oord N.V.)

1983-2005

President and Chief Executive Officer, Fugro N.V.

Other

- Chairman of IRO
- Chairman of the Supervisory Board of Koninklijke BAM Groep N.V.
- Chairman of the Supervisory Board of Damen Shipyards Group
- Member of the Supervisory Board of N.V. Bronwaterleiding Doorn
- Member of the Supervisory Board of Energie Beheer Nederland B.V.
- Chairman of the Supervisory Board of Technische Universiteit Delft
- Member of the Supervisory Board of TNO
- Member Monitoring Committee Corporate Governance Code
- Member of the Board of Nederland Maritiem Land
- Member of the Board of MARIS B.V.
- Member of the Dutch National Committee World Petroleum Congresses
- Member of the Board of Stichting Concertgebouw Fonds

Curriculum vitae G. Randa

Education

1966

Business Administration, WU Wien (University of Vienna)

Employment

1967-1985

Several positions at Zentralparkasse und Kommerzialbank

1986-1988

Member of the Managing Board, Creditanstalt-Bankverein

1990

Chief Executive Officer, Österreichische Länderbank AG

1991

Deputy Chief Executive Officer, Z-Länderbank Bank Austria AG

1995-2003

Chief Executive Officer and Chairman of the Managing Board, Bank Austria AG

2003-2005

Chief Operating Officer, Bayerische Hypo-und Vereinsbank AG

2005 –

Executive Vice President Planning, Magda International Inc.

Other

- Member of the Generalrat der Österreichischen Nationalbank (Austrian central bank)
- Chairman of the Board of B&C Privatstiftung
- Chairman of the Board of Immobilien Privatstiftung

Organisation of ABN AMRO Bank N.V.

Managing Board

Rijkman Groenink (Chairman)
Wilco Jiskoot
Tom de Swaan (CFO until 1 January 2006)

Joost Kuiper
Dolf Collee
Hugh Scott-Barrett (CFO as from 1 January 2006)

Huibert Boumeester
Piero Overmars
Ron Teerlink

Group Business Committee

Joost Kuiper
Wilco Jiskoot
Dolf Collee
Piero Overmars

Ron Teerlink
Fabio Barbosa
Norm Bobins
Lex Kloosterman

Alexandra Cook-Schaapveld
Jan Peter Schmittmann
Ann Cairns
Jeroen Drost

Sarah Russell

Client Segments

Consumer Client Segment
Dolf Collee

Commercial Client Segment
Piero Overmars

Business Units, Services and Group Functions

BU Netherlands
Jan Peter Schmittmann

BU Europe
Lex Kloosterman

BU Asia
Jeroen Drost

BU North America
Norman Bobins

BU Latin America
Fabio Barbosa

BU Private Clients
Jos ter Avest

BU Global Clients
Alexandra Cook-Schaapveld

BU Global Markets
Gary Page (as from 1 April 2006)

BU Transaction Banking
Ann Cairns

BU Asset Management
Sarah Russell

Services
Ron Teerlink

Group Functions

Group Human Resources
Hugh Scott-Barrett (interim)

Group Finance
Maurice Oostendorp

Group Risk Management
Head Group Risk Management
David Cole
Erwin Mahne
(until 1 April 2006)
Head of Risk Advisory and Group Sustainable Development
Herman Mulder

Group Compliance & Group Legal
Carin Gorter

Group Audit
Peter Diekman

Group Communications
Robin Boon

European Union Affairs and Market Infrastructure
Gerard Hartsink

Investor Relations
Richard Bruens

Corporate Development
Alexander Pietruska

Situation as at 23 March 2006

European Staff Council

The European Staff Council (ESC) conducted extensive and intensive discussions with management during 2005, which was another year of significant change. The ESC was fully involved at an early stage in the development and implementation of the restructuring of Wholesale Clients, the outsourcing and offshoring of the remaining parts of the IT function, the new human resources model and many other initiatives.

In its discussions with management, the ESC raised key concerns prevalent among staff. Many colleagues saw their jobs change or even disappear, provoking emotional responses among those involved. The ESC also made arrangements to help these employees move to another job.

At the request of the ESC, the bank agreed with several IT vendors that they would expand their organisation in Europe and take on former ABN AMRO staff for this purpose. As a result, many tens of redundancies were avoided.

Early in 2005, the ESC proposed joining forces with management in efforts to place even more emphasis than before on ongoing staff development. Thanks to this initiative, our colleagues will have more opportunities to improve their skills and competences. This will enhance their employability and reduce the risk of their becoming unemployed. In 2006 this initiative will be integrated into the SMART objectives of staff and managers.

In 2005 there were eight plenary sessions – one in London, one in Prague, one in Paris and five in Amsterdam. During these meetings, extensive and open discussions were held with several Managing Board members and other top executives about a wide variety of subjects.

Important issues in 2005 included:
- restructuring of Wholesale Clients
- IT outsourcing and offshoring
- acquisition of Banca Antonveneta
- global HR Transformation Programme
- Group restructuring, as announced in October 2005
- transparent rewards
- Private Clients organisation
- Compliance.

The ESC appreciates the constructive and substantive dialogue it has enjoyed with management throughout the past year, as well as the positive manner in which management responded to suggestions and ideas and took on board feedback received from the ESC.

Amsterdam, 31 December 2005

European Staff Council

Dutch Central Works Council

A new Central Works Council (CWC) took office in March 2005, with a tenure due to run until March 2008. It hit the ground running, pressing ahead with the development of a new role that differs from the one outlined in the Works Councils Act. In view of the many and rapid changes taking place across ABN AMRO, the CWC aims to act more than ever as the Managing Board's sparring partner as it implements its plans for the bank in the Netherlands.

The first steps towards this new role took place in November 2004, with a series of management workshops on offshoring. In these workshops, the CWC discussed the success factors in complex change projects with the members of the Managing Board and the Supervisory Board. The themes debated included emotion, behaviour and rationality. This exercise led to a clearer definition of the CWC's own role. The CWC then drew up an ambitious long-term plan for developing its own vision and knowledge as a team to enable it to fulfil its envisaged new role. Early involvement in key changes within the bank, and appropriate handling of requests for advice, will be crucial to the CWC's ability to play this role in practice.

In 2005 the CWC issued advice on:

- IT outsourcing and offshoring
- global HR Transformation Programme (will be finalised in 2006)
- the initiative for the integration / reorganisation of mortgage operations in the form of a new company (merger between mortgage companies of ABN AMRO Bank N.V. and Bouwfonds)
- corporate governance, under the new group structure as published on 14 October 2005.

In the field of corporate governance several appointments were announced, including those of Mr A. Ruys and Mr R.F. van den Bergh as new members of the Supervisory Board, as well as Mr H.G. Boumeester, Mr P. S. Overmars and Mr R. Teerlink as new members of the Managing Board. The CWC was informed in good time of these appointments.

In addition, the CWC received several requests for advice or approval on various other subjects, including the reorganisation of two departments into the integrated Employability Centre. This change meant that ABN AMRO's general employability policy became a major topic of discussion in 2005, and it can be expected to remain so in the near future.

Alongside a number of formal and informal meetings with management, the CWC had two formal meetings with the chairman of the Managing Board to discuss the bank's results and the position it aims to establish in the financial community. Several consultative meetings were attended by one or more members of the Supervisory Board. The Central Works Council greatly appreciates these meetings.

In the context of the complex change processes taking place in the bank, the CWC is continuing to look in a targeted manner at the implementation of these changes and the accompanying arrangements. In doing so, it is focusing particularly on the interests of the staff and of the company itself, the feasibility of the proposed changes, and the way in which the bank communicates measures and initiatives it intends to take. In addition, in its capacity as an employee representative body, the CWC examines not only the direct social consequences of any changes, but also the underlying substance of the bank's intentions.

On behalf of all consultative bodies within ABN AMRO, the CWC expresses its appreciation for the mutual trust that continues to characterise its relations with management. We are confident that this trust will become an increasingly prominent characteristic of this relationship, and are committed to fulfilling our role and responsibility in this respect with both professionalism and drive.

Amsterdam, 31 December 2005

Central Works Council

Glossary

Advanced Internal Ratings Based (AIRB)
The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Advanced Management Approaches (AMA)
The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

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 (bp)
One hundredth of 1 percentage point.

Basel II
The "Basel II Framework" offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.

Bank for International Settlements (BIS)
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.

BIS Ratio
Solvency ratio for banks, stating the minimum capital requirements related to risk-weighted assets, as defined by the Bank for International Settlements (BIS).

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.

Core tier 1 ratio
The bank's core capital, excluding preference shares, expressed as a percentage of total risk-weighted assets.

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.

De Nederlandsche Bank N.V. (DNB)
Dutch central bank.

Derivatives
Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indices, etc).

Economic capital
An estimate of the amount of capital that the bank should possess in order to be able to sustain larger than expected losses with a certain level of certainty.

Economic profit
Net profit after tax less risk-adjusted cost of capital.

Economic value
The value of future economic profits discounted to the present.

GAAP
Generally accepted accounting principles.

Goodwill
The difference between the purchase price of a participation and the fair value of the individual net assets and liabilities.

Hedge
Protecting a financial position by going either long or short, often using derivatives.

International Financial Reporting Standards (IFRS)
IFRS, formerly known as International Accounting Standards, are drawn up and recommended by the International Accounting Standards Board. The European Union requires that IFRS be used by all exchange-listed companies in the EU starting from 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 venture
Cooperative venture between two or more separate legal entities.

Loss Given Default (LGD)
The amount that the bank expects to lose on an exposure to a counterparty at default.

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, currency and/or interest rates.

Mergers & Acquisitions (M&A)
Activities in the fields of mergers, acquisitions, privatisations, advisory services and organisation.

Mid-market
Client segment where ABN AMRO focuses strategically. The consumer mid-market consists of clients who require more than a basic banking package (mass affluent and private clients), but who are not yet in the small category of top-end private clients. The commercial mid-market ranges from mid-sized companies to a small number of large corporate clients and financial institutions.

Mortgage Servicing Right (MSR)
Right to a stream of cash flows and an obligation to perform specified residential mortgage servicing activities, which may also be purchased from third parties. Mortgage servicing activities include collecting principal, interest, and escrow payments from borrowers; making tax and insurance payments on behalf of the borrowers; monitoring delinquencies and executing foreclosure proceedings; and accounting for and remitting principal and interest payments to the investors. If servicing is retained at the time of loan sale, the MSRs are recognised as assets on our balance sheet.

Net asset value per share
Value of all the assets of a company less liabilities divided by the number of shares outstanding.

Non-performing loans
Loans for which there is objective evidence that not all contractually agreed amounts will be collected and for which an allowance for loan losses is established.

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 to medium-sized institutional investors.

Provision for loan losses
Charge to income to cover possible loan losses on non-performing loans.

Return on equity
Net profit attributable to ordinary shareholders of the parent company divided by shareholders' equity.

Risk adjusted return on capital (RAROC)
Risk adjusted return on capital, measured against economic capital. This a risk-adjusted profitability measurement, providing a consistent view of profitability across businesses.

Risk-weighted assets
Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

Scenario analysis
Method used to measure and manage the interest rate risk. For example, net interest revenue can be estimated by using various assumptions about future interest rate movements.

Securitisation
Restructuring credits in the form of marketable securities.

Sweet spot
A phrase ABN AMRO uses to refer to our mid-market client segment, where we have a strong competitive advantage.

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.

Total return to shareholders (TRS)
Share price movement plus dividend yield.

Treasury
Department responsible for all money market and currency operations.

Trust business, trust services
Assets are entrusted to a trustee who is responsible for the management of those assets.

Uniform Credit Rating (UCR)
The UCR is an obligor rating and refers to the probability of default by an obligor, i.e. the likelihood that a counterparty fails to pay interest and/or principal and/or other financial obligations to the bank.

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.

Volatility
Statistical measure for the degree to which items (market rates, interests) fluctuate over time.

Whistleblowing policy
ABN AMRO policy that provides all employees with channels and guidance for reporting suspected malpractice, such as fraud, insider trading or breach of client confidentiality.

Abbreviations

ACES	ABN AMRO Central Enterprise Services Private Limited
ADR	American Depositary Receipt
AFS	Available for sale
AIRB	Advanced International Ratings Based basis for credit risk
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
AM	Asset Management
AMA	Advanced Measurement Approaches basis for operational risk
ATM	Automated Teller Machine
AuA	Assets under Administration
AuM	Assets under Management
BIS	Bank for International Settlement
bp	Basis point
BRL	Brazilian real
BU	Business Unit
C&CC	Consumer & Commercial Clients
CAAML	Client Acceptance & Anti-Money Laundering
CB	Covered bond
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CPC	Compliance Policy Committee
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CWC	Central Works Council
DNB	De Nederlandsche Bank N.V. (Dutch central bank)
ECM	Equity Capital Markets
ESC	European Staff Council
EU	European Union
EUR	Euro
EVCA	European Private Equity & Venture Capital Association
FIFF	Fixed Income, Futures and FX
FTE	Full time equivalent, a measurement of number of staff
FX	Foreign Exchange
GALM	Group Asset and Liability Management
GBC	Group Business Committee
GBP	Great Britain Pound
GDP	Gross Domestic Product
GF	Group Functions
GRC	Group Risk Committee
GREFM	Group Real Estate & Facilities Management
GRM	Group Risk Management
GSS	Group Shared Services
HR	Human Resources
IASB	International Accounting Standards Board
IFRIC	IASB International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards

ISO	International Organisation for Standardisation
IT	Information Technology
LGD	Loss Given Default
M&A	Mergers & Acquisitions
MfV	Managing for Value
MRM	Market Risk Management
MSR	Mortgage Servicing Right
MTN	Medium Term Note
NA	North America
N&C	Nomination & Compensation
NGM	New Growth Markets
NL	Netherlands
NYSE	New York Stock Exchange
OECD	Organisation for Economic Cooperation and Development
ORM	Operational Risk Management
OTC	Over-the-Counter
P&L	Profit & Loss
PC	Private Clients
PSP	Performance Share Plan
RAROC	Risk adjusted return on capital
ROE	Return on equity
RWA	Risk-weighted assets
SCB	Structured covered bond
SEC	Securities and Exchange Commission
SEPA	Single Euro Payments Area
SEVP	Senior Executive Vice President
SME	Small to medium-sized enterprises
SOXA	Sarbanes-Oxley Act of 2002
SRI	Socially Responsible Investment
SPE	Special Purpose Entity
TRS	Total return to shareholders
UAE	United Arab Emirates
UCR	Uniform Counterparty Rating
USD	US dollar
VaR	Value-at-Risk
WCS	Wholesale Clients

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ABN AMRO Holding N.V. has its registered office in Amsterdam, the Netherlands, and is entered in the Trade Register of the Amsterdam Chamber of Commerce under no. 33220369.

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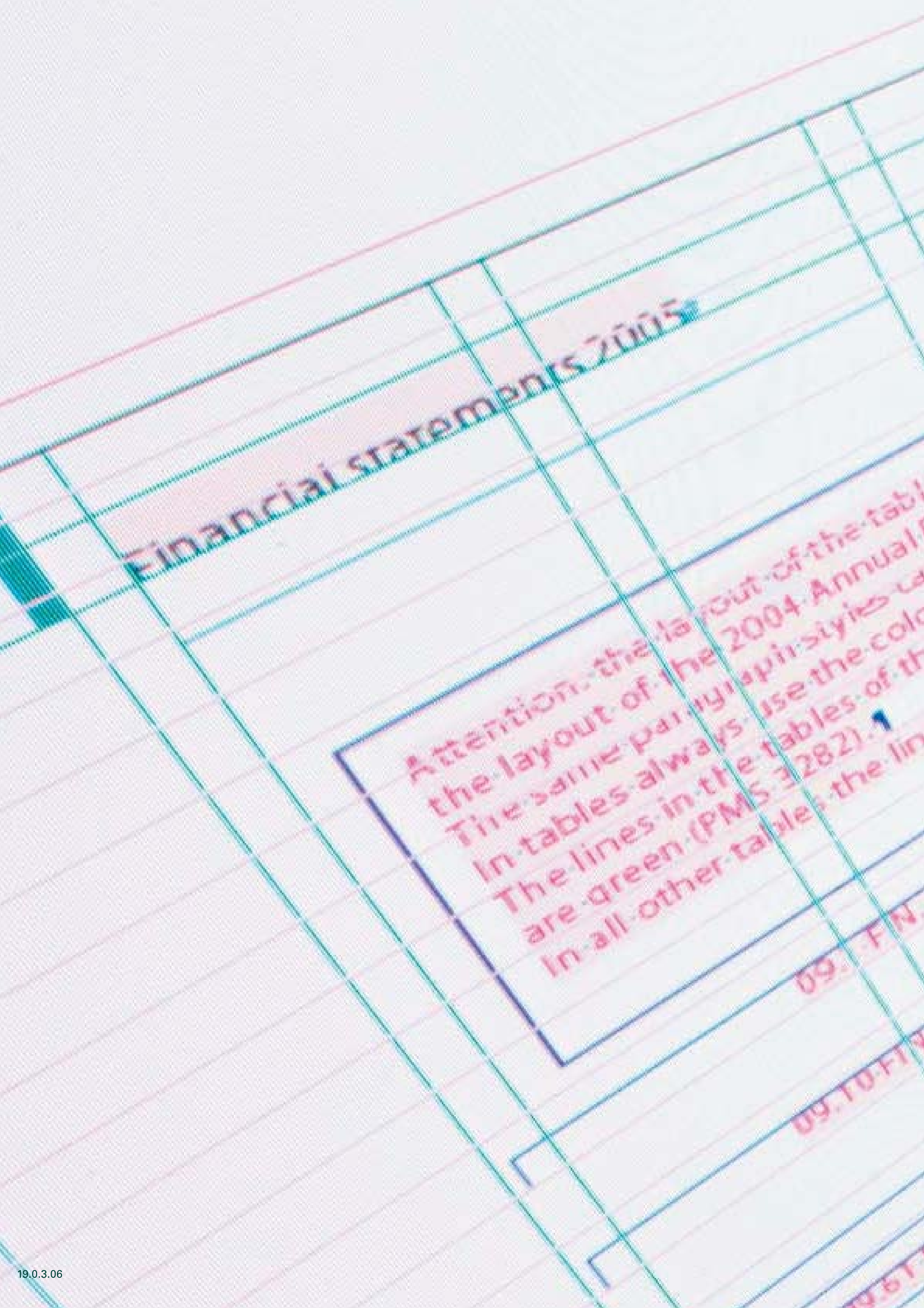
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