ABN·AMRO

Annual Report 2004
ABN AMRO Holding N.V.


possible

Profile

ABN AMRO

- is a prominent international bank with origins going back to 1824
- is the 11th biggest bank in Europe and 20th in the world (ranked by tier 1 capital)
- has over 3,000 branches in almost 60 countries and territories, a staff of about 97,000 full-time equivalents worldwide and total assets of EUR 609 billion as of year-end 2004
- is listed among others on the Euronext Amsterdam and New York Stock Exchange.

Our business strategy 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 home markets of the Netherlands, the US Midwest, Brazil and in selected growth markets around the world
   - selected wholesale clients with an emphasis on Europe, and financial institutions
   - private clients
3. Leveraging our advantages in products and people to benefit all our clients
4. Sharing expertise and operational excellence across the Group
5. Creating 'fuel for growth' by allocating capital and talent according to the principles of 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 and Business Principles.

We implement our strategy through a number of (Strategic) Business Units ((S)BUs). Each of these units is responsible for managing a distinct client segment or product segment, while also sharing expertise and operational excellence across the Group, seeking opportunities for standardisation, and exploiting new market solutions to provide clients with even better products and services. These (S)BUs are:

- Consumer & Commercial Clients, which serves almost 20 million consumer clients and clients in the small and medium-sized enterprises sector worldwide. ABN AMRO is among the leading players in these segments in its three home markets while targeting other high-growth regions through its Business Unit New Growth Markets
- Wholesale Clients, which provides integrated corporate and investment banking solutions to more than 10,000 corporate, institutional and public sector clients in nearly 50 countries
- Private Clients, which provides private banking services to wealthy individuals and families, and has EUR 115 billion assets under administration as of year-end 2004

- Asset Management, which is one of the world's leading asset managers, operating from over 20 locations worldwide and managing EUR 161 billion worth of assets as of year-end 2004 for private investors and institutional clients
- Transaction Banking Group, which is our product organisation covering all payments and trade in the bank for our retail, private client, commercial and wholesale markets.

To provide our clients across the Group with even better products and services, we have also created a cross-(S)BU Consumer segment and a cross-(S)BU Commercial segment. These segments work closely with Asset Management, Transaction Banking Group, Wholesale Clients and other product units to deliver high-quality solutions to our client bases in countries across the world.

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

Making more possible

In early February 2005, on the day that ABN AMRO announced its results for 2004, the bank also introduced its first-ever global tagline.

'Making more possible' encapsulates the way we work in close partnership with our customers to tackle challenges and achieve goals together. Our clients can rely on ABN AMRO to provide them with the expertise and drive they need to turn their ambitions into reality.

So 'Making more possible' sums up the power of our diversified mix of businesses. But it does more. It also transmits a clear message to our clients and our people, across every region and Business Unit. That message is simple: it is that our clients can achieve great things – and that we will always go the extra mile to help them do it.

Annual Report 2004
ABN AMRO Holding N.V.

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Dear Shareholder,

On behalf of the Managing Board, I am writing to you about our performance in 2004.

We achieved very good results in 2004 despite the mixed developments in the markets in which we operate. Even though economic growth was strong in the US, Brazil and Asia, we again witnessed low economic growth in Europe, in particular in the Netherlands, and a greater-than-expected downturn of the mortgage market in the US.

We grew revenues in every business across the bank except for US mortgages, kept costs under control, and benefited from our strong credit skills, which led to much lower provisions. As a consequence, our net profit increased substantially. This demonstrates once more the value of our diversified income stream.

As our first four-year cycle, with the ambitious goals we set at the start of 2001, came to an end on 31 December 2004, I would like to take this opportunity to look back at our achievements over the past four years. Our goal was to be in the top five of our selected peer group of 20 banks, in terms of total return to shareholders, at the end of 2004.

We did not make it into the top five of our selected peer group. There are three main reasons for this. First, we faced greater challenges in the businesses over the four-year cycle than we had anticipated, and as a consequence did not generate sufficient returns. Second, we underestimated the impact of the required restructuring programmes on our businesses. And third, the targets we set were, with hindsight, too ambitious. This was all the more apparent when wholesale markets turned against us in 2001. We made the necessary adjustments in August 2001 and in subsequent years we moved up from the bottom of the peer group to 11th place at the end of the cycle.

We reached our goal in that we did many things right to achieve this improvement. As our Managing for Value principles became embedded in our organisation, we created a more focused business through selling non-core activities such as LeasePlan Corporation and Bank of Asia. We also reduced and reallocated capital from our Strategic Business Unit (SBU) Wholesale Clients to other Business Units (BUs). We improved our efficiency ratio significantly via restructuring programmes in the BU Netherlands and Wholesale Clients. We strengthened our consumer and commercial businesses with the creation of strong platforms in the US Midwest and southeast Brazil, by selling EAB in New York and using these proceeds to acquire Michigan National Bank, and through the acquisition of Banco Sudameris in Brazil. We also developed our New Growth Markets business with, for example, the roll-out of our Van Gogh Preferred Banking concept, achieving strong organic growth in Asia. We changed our Wholesale Clients business model to a much more European-focused and client-driven franchise. We further strengthened our BU Private Clients with the acquisitions of Delbrück and Bethmann Maffei in Germany. In addition, we improved our capital ratios significantly and, as a policy, decided to neutralise the dilutive effect of our stock dividend. We have made progress in establishing a high performance culture and developing the leadership and management capabilities of our top talent. I therefore would like to emphasise that even though we did not reach our top five goal, we are in far better shape as an organisation than we were at the beginning of 2001. Pursuing the top five goal has made ABN AMRO a much stronger bank and all the businesses have improved their performance significantly.

Our main target for the coming four years will be based on an average Return on Equity over the period from 1 January 2005 to 31 December 2008. We will continue to pursue our ambition of being in the top five of our selected peer group in terms of total return to shareholders. We will communicate the exact Return on Equity target after we have published our full year 2004 results on an IFRS basis.

The gains made over the past four years have put our bank in a strong position to succeed. Our strategy plays to our strengths by focusing on areas where we have an advantage today and where we can grow faster than our competitors in the future.

We focus on those segments of our client base where we offer a distinctive service and where we capitalise on our local brand and local relationships while also leveraging our international products and brand in an efficient way. In combination with our extensive and competitive product suite and sector knowledge, it is clear that we are one of the few banks in the world that can deliver on all of these features, in many cases uniquely so. These clients are in principle our mid-market clients across all sectors, i.e. medium to large corporate clients in the SBUs Consumer & Commercial Clients and Wholesale Clients, mass affluent retail clients in the SBU Consumer & Commercial Clients, and our private clients.

This mid-market franchise will be the growth engine of the Group and we have therefore created two global cross-(S)BU segments: a Consumer segment and a Commercial segment. The two segment heads will drive growth by working with the (S)BUs that manage the mid-market segments.

Another key element of our strategy is driving more value from being one Group. We created a shared product organisation comprising payments and trade, called the Transaction Banking Group, and a Group Services organisation that oversees all services and operations in the (S)BUs and in Group Shared Services. This will enable us to leverage our global advantaged capabilities and increase the impact of our investments in these areas.

Our experience from the previous four years, a strategy that builds on our existing strengths, the organisational changes mentioned above, the Group Shared Services and Wholesale Clients restructuring measures (leading to at least EUR 770 million of annual cost savings as from 2007) announced at the end of 2004, and above all our high-quality people, provide a solid base for profitable growth and put us in a very good position to reach our goals during the next four years.

It is very important to emphasise that reaching our financial goals has not been, and will never be, at the expense of non-compliance with regulatory rules and regulations. Internally, we use the strength of our Corporate Values and Business Principles to guide us in executing our growth plans with integrity. Integrity and compliance are of paramount importance to us and to the entire industry, thereby helping us to live up to the role that authorities and the public expect from us. This safeguards our reputation, which is our licence to operate.

"The gains made over the past four years have put our bank in a strong position to succeed. Our strategy plays to our strengths by focusing on areas where we have an advantage today and where we can grow faster than our competitors in the future."

Seated: Rijkman Groenink (right) and Wilco Jiskoot. Standing from right to left: Dolf Collee, Joost Kuiper, Hugh Scott-Barrett and Tom de Swaan.

Photo: Ron Offermans

While the near-term global economic outlook remains mixed, the strengthening of our capital base and business franchises over the past four years leaves us well positioned to create additional value for our shareholders. The refinements in our strategy, combined with our revenue and cost management initiatives, will contribute to the realisation of our targets for the next four years.

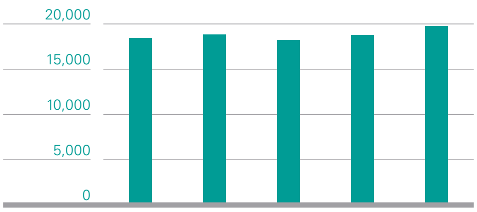
Yours faithfully,

Rijkman Groenink
Chairman of the Managing Board

Amsterdam, 17 March 2005

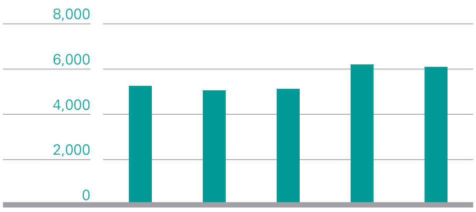
Figures at a glance

Total revenue *(in millions of euros)*



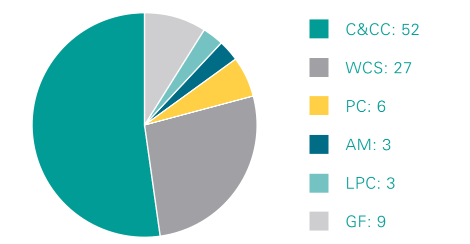
2000	2001	2002	2003	2004
18,469	18,834	18,280	18,793	**19,793**

Operating result *(in millions of euros)*

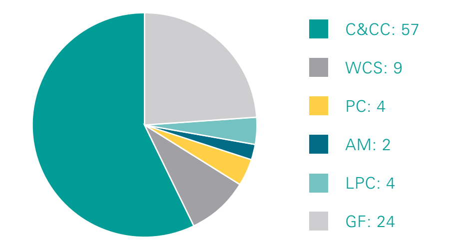


2000	2001	2002	2003	2004
5,267	5,063	5,132	6,208	**6,106**

Revenues 2004 per (S)BU *(in %)*

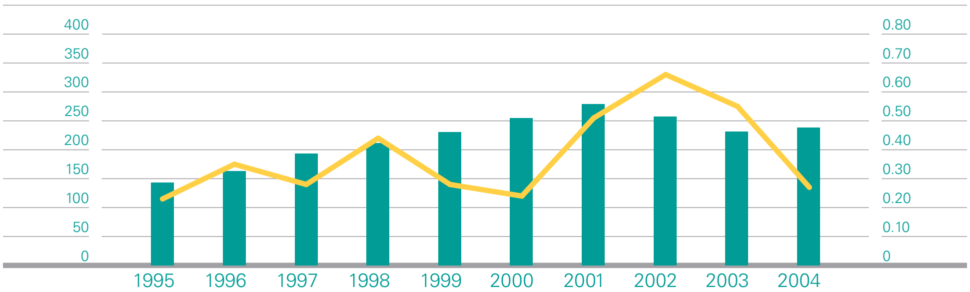


Operating result 2004 per (S)BU *(in %)*



Provisioning as a % of average risk-weighted assets

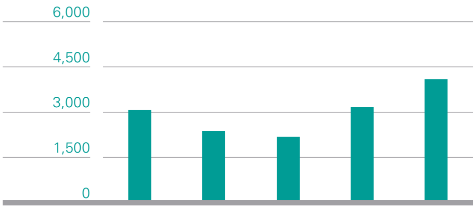
	1995	1996	1997	1998	1999	2000	2001	2002	2003	**2004**
Average RWA *(in billions of euros)*	143	163	193	212	231	255	279	257	232	**239**
Provisioning *(in millions of euros)*	328	569	547	941	653	617	1,426	1,695	1,274	**653**
Provisioning as a % of average RWA	0.23	0.35	0.28	0.44	0.28	0.24	0.51	0.66	0.55	**0.27**



RWA (in billions of euros, l.s.)

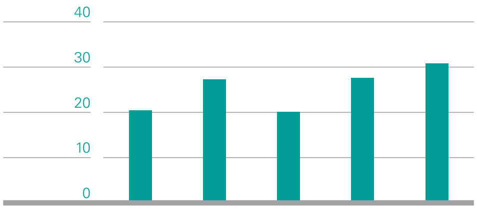
Provisioning as a % of average RWA (r.s.)

Net profit *(in millions of euros)*



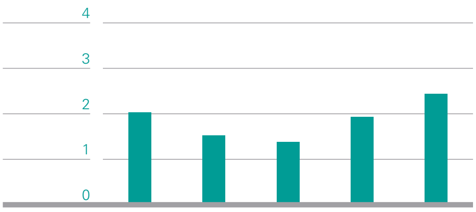
2000	2001	2002	2003	2004
3,097	2,363	2,207	3,161	**4,109**

Return on equity *(in %)*



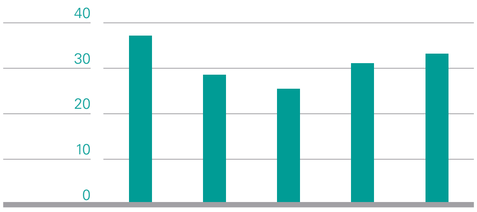
2000	2001	2002	2003	2004
20.5	27.3	20.1	27.7	**30.8**

Earnings per share *(in euros)*



2000	2001	2002	2003	2004
2.04	1.53	1.39	1.94	**2.45**

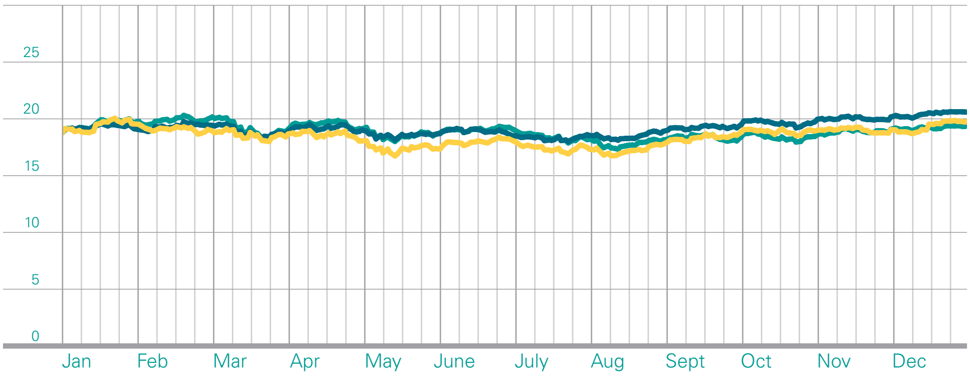
Market capitalisation *(in billions of euros)*



2000	2001	2002	2003	2004
37.2	28.6	25.5	31.2	**33.3**

Share price movements January 2004 - December 2004 *(in euros)*

(MSCI and AEX indices restated on the basis of ABN AMRO Holding N.V. ordinary share price on 31 December 2003)



ABN AMRO Holding N.V.

MSCI European Banking Index

AEX

Business in brief

Key figures 2004

(in millions of euros)	**2004**	2003	2002
Total revenue	**19,793**	18,793	18,280
Operating expenses	**13,687**	12,585	13,148
Operating result	**6,106**	6,208	5,132
Provisioning for loan losses	**653**	1,274	1,695
Value adjustments to financial fixed assets	**2**	16	49
Operating profit before taxes	**5,451**	4,918	3,388

Our financial results were influenced by various non-recurring events in 2004. On the revenue side, these include the gains from the sale of Bank of Asia and LeasePlan Corporation, with a combined effect on revenues of EUR 1,051 million and on net profit of EUR 1,057 million. On the cost side, these include a restructuring charge related to Group Shared Services and the SBU Wholesale Clients (EUR 790 million in operating expenses and EUR 538 million in net profit) and the expected cost of buying off the 2005 profit sharing arrangements under our collective labour agreement currently being negotiated for the Netherlands (EUR 177 million in operating expenses and EUR 117 million in net profit). The analysis below is adjusted for these events.

Net profit and assets

- Net profit increased by 17.3% to EUR 3,707 million, to which nearly all BUs contributed
- Net earnings per ordinary share were EUR 2.21 (2003: EUR 1.94)
- Consolidated total assets increased 8.6% to EUR 608.6 billion
- Risk-weighted assets (RWA) increased from EUR 223.8 billion at year-end 2003 to EUR 231.4 billion at year-end 2004.

Profit and revenue

- Operating result decreased by 3.0% due to the EUR 703 million decline in the BU North America as a result of the decrease in mortgage revenues and the depreciation of the US dollar. The strong growth in the BU Private Clients, BU New Growth Markets, Bouwfonds, BU Asset Management and Group Functions nearly made up for the considerable decline in the BU North America
- Total revenue slightly decreased by 0.3% to EUR 18.7 billion. Excluding mortgage income in North America in 2003 and 2004, total revenue increased by 4.6%, while excluding all previously mentioned disposals, total revenue increased 5.3%
  - Net interest revenue was down slightly. Increased interest revenue in the BU Brazil, BU Private Clients and Group Functions largely made up for a drop in interest revenue of Wholesale Clients
  - Revenue from securities and participating interests increased by EUR 300 million, mainly as a result of the proceeds from the sale of our stake in Bank Austria and the sale of the Executive Relocation Company in North America, with a combined effect of EUR 188 million
  - Net commissions rose by 6.4% due to increases in the BUs Brazil, Private Clients, New Growth Markets, Asset Management and the Netherlands
  - Results from financial transactions improved due to higher performance of several activities of Wholesale Clients, on the back of higher client revenues, better trading conditions and – for Private Equity – more exit opportunities and lower write-offs
  - Other revenue decreased by EUR 875 million, mainly due to the decline in mortgage income in the BU North America
- The slight decrease in revenue, combined with higher operating expenses, led to a moderate increase in the efficiency ratio, which went up from 67.0% in 2003 to 67.9% in 2004 (69.2% including non-recurring events).

Expenses

- Operating expenses increased by 1.1% from EUR 12,585 million in 2003 to EUR 12,720 million in 2004. Cost reductions in the BU North America and the BU Netherlands partly offset increases in the other BUs. The BU Brazil showed the greatest increase as a result of the integration of Banco Sudameris and the 15.4% and 8.5% salary increases as part of the collective labour agreements from October 2003 and October 2004 respectively
- Provisioning declined sharply during the year due to credit costs coming down in all BUs, with the exception of the BU New Growth Markets and Bouwfonds. Wholesale Clients, and BU North America in particular, benefited from an improvement in the quality of the credit portfolio as well as from releases and recoveries
- The effective tax rate for the Group was more favourable in 2004, declining from 30.6% in 2003 to 25.9% in 2004. This was mainly the result of lower effective tax rates in Wholesale Clients and the BU Brazil and the tax exempt disposals of Bank of Asia and LeasePlan Corporation.


Skateboarder
making

2004 diary

January
- Following our in-principle agreement of December 2003, we announce the agreement to sell our US Professional Brokerage unit

February
- At the release of our annual results, we announce the intention to withdraw our Dutch preference shares
- We announce our intention to divest our stake in Bank of Asia

March
- We announce that we will to sail in the Volvo Ocean Race
- André Olijslager is nominated as member of our Supervisory Board

April
- We announce the sale of LeasePlan Corporation to a consortium led by Volkswagen Group

May
- ABN AMRO Asset Management outsources Investment Operations Services to State Street Corporation

June
- We endorse UN global compact report on the financial sector, jointly with 19 other financial institutions
- ABN AMRO Yield Discovery Notes attract a record level of investments

July
- We enter into a written agreement with the US regulatory authorities to improve Anti Money Laundering programme for our dollar clearing business in the New York branch

August
- We announce our intention to withdraw our listing from the stock exchanges in London, Frankfurt, Hamburg, Dusseldorf, Zurich and Singapore

September
- We release a corporate governance policy for our BU Asset Management
- Our first Group-level Sustainability Report is published, covering all sustainability efforts of our business units worldwide

October
- We announce the intended sale of our Trust activities to Equity Trust and the domestic custody activities to Citigroup

November
- LaSalle Bank sells its employee relocation management and consulting firm Executive Relocation Corporation to SIRVA Inc
- ABN AMRO Capital makes a landmark Dutch mid-market investment with the acquisition of Borstlap

December
- We take a total gross one-off charge of EUR 790 million, as our Group synergies programme of Group Shared Services is accelerated and broadened, and changes are made to the SBU Wholesale Clients
- Fire at the LaSalle Bank headquarters in Chicago forces a temporary closure
- ABN AMRO Asset Management announces the sale of Chicago-based ABN AMRO Trust Services to The Principal Financial Group

Supervisory Board

The ABN AMRO Group results were once again very good in 2004. The operating results achieved by Brazil, New Growth Markets, Private Clients and Bouwfonds showed a large improvement. However, these could not fully compensate for a lower contribution from North America, whose results were affected by a bigger-than-expected deterioration in mortgage market conditions. Continued aggressive cost efficiency measures and lower provisioning due to strong credit management generated a 17.3% increase in net profit for the Group. This is an achievement of which all management and staff can be justifiably proud.

Financial statements and proposed dividend

This Annual Report includes the financial statements, which were audited by the audit firm Ernst & Young and subsequently approved by our Board. We propose to the shareholders that they adopt the 2004 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 1.00 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 0.50 per ordinary share.

Composition of the Supervisory Board

Andries Olijslager was appointed to the Supervisory Board for a term of four years, with effect from 29 April 2004. Trude Maas-de Brouwer was reappointed to the Supervisory Board for a new term of four years from the same date.

Maarten van Veen and Wim Dik will step down from the Supervisory Board with effect from 28 April 2005. Mr Van Veen, who has reached the age limit of 70, has been a member for eight years, the last three of these as Vice Chairman. Mr Van Veen's insight and experience have been great assets to our Board over the years. Professor Dik retires from the Board, having reached the maximum permissible term of membership of 12 years. Throughout his tenure Prof. Dik has been a very active participant in our meetings and a highly valued member of our Board.

The Supervisory Board has nominated Mr Rob van den Bergh and Mr Thony Ruys for appointment by the shareholders as new members of the Board, also with effect from 28 April 2005. Both are Dutch nationals and have enjoyed very distinguished business careers in the Netherlands, culminating in their present positions of Chairman & CEO of VNU nv and Chairman of the Executive Board of Heineken N.V. respectively. Both already hold various other directorships and advisory posts. Mr Van den Bergh was, moreover, a member of ABN AMRO's Advisory Council until 2004. We are confident that Mr Van den Bergh and Mr Ruys will both be highly valuable additions to our Board. A curriculum vitae for each of them can be found on pages 176 – 177 of this Annual Report.

These nominations and appointments were made in accordance with the existing membership profile, which can be found on the website of ABN AMRO. The Dutch Central Works Council was informed of the vacancies and the proposed nominations.

As a result of these changes, the size of the Board remains at 12 members. For a list of all names and key data of all Supervisory Board members, please refer to page 175 or to the website, www.abnamro.com.

Management changes in ABN AMRO

During 2004, the Managing Board worked in close cooperation with the Supervisory

Board on a detailed review of the way the Group is organised. As a result of this review, the Managing Board decided to implement a number of refinements, in order to position the bank to realise its strategic ambitions. These organisational changes and the resulting Group structure, which are described in the Chairman's letter, were reviewed and approved by the Supervisory Board.

Alongside these changes, the Group's Compliance function was also strengthened. This will reinforce its ability to act on behalf of senior management, in exercising effective and independent oversight of those core processes and related policies and procedures that ensure compliance with industry-specific regulations and with standards of conduct in areas such as ethics, corporate values and business principles. Within ABN AMRO, the Compliance Policy Committee is the governing body responsible for the coordination of compliance globally. It oversees – and makes decisions on – key compliance activities, while also providing broad oversight of Group Compliance. A further explanation of ABN AMRO's Compliance function is included in this Annual Report on pages 64 and 65.

The responsibilities of the Managing Board are as follows:

- Rijkman Groenink
  Chairman, responsible for Group Functions Compliance, Audit and Corporate Development
- Tom de Swaan
  Chief Financial Officer (CFO), responsible for Group Functions Risk Management, Finance and Legal
- Hugh Scott-Barrett
  Chief Operating Officer (COO), responsible for Group Functions Human Resources, Investor Relations and Corporate Communications, as well as Transaction Banking Group and Group Shared Services
- Joost Kuiper
  BU Netherlands, BU North America, Bouwfonds and the Commercial Segment
- Dolf Collee
  BU Brazil, BU New Growth Markets, BU Private Clients and the Consumer Segment
- Wilco Jiskoot
  SBU Wholesale Clients (including Private Equity) and BU Asset Management.

This organisational realignment resulted in a number of changes in responsibilities. Our new structure is shown on pages 178 to 180 of this Annual Report.

The Managing Board consulted the Supervisory Board about the appointment to Senior Executive Vice President (SEVP) of Ann Cairns (Global Head, Transaction Banking Group), David Cole (COO Wholesale Clients – Services), Hill Hammock (COO BU North America) and Erwin Mahne (Group Risk Management).

As a result of these appointments, together with organisational changes and retirements, the number of SEVPs rose by three to 25.

Full Board activities

The Supervisory Board met six times during the period under review. Five meetings were held at the bank's premises in the Netherlands, and one at the head office of the bank's Brazilian businesses in Sao Paulo. The latter meeting was combined with a varied information programme to enable members of the Supervisory Board to gain a better understanding of the bank's activities in Brazil, where it is one of the leading providers of financial services with 26,800 staff and almost 2,000 offices.

All six meetings were plenary sessions with the full Managing Board. Two of these plenary meetings were preceded by meetings of the Supervisory Board alone. During these two meetings, the Supervisory Board evaluated its own composition and performance, as well as the composition, performance and remuneration of the Managing Board.

The Chairman and Vice Chairman of the Supervisory Board prepared the agenda for the Supervisory Board meetings, assisted by the Chairman of the Managing Board. Regular agenda items included aspects of the bank's corporate strategy, consolidated Group financial statements, credit and other risks, the performance contracts of the (S)BUs as well as corporate governance and organisation structure, human resources policy, customer and services strategies.

Group strategy and the strategies for the various geographical markets and client segments were discussed regularly between the Supervisory Board and the Managing Board, as were developments in the (S)BUs. During the annual review of Group strategy, the Supervisory Board agreed with the Managing Board to strengthen the strategy of focusing on consumer and commercial clients in chosen home markets and in selected growth markets around the world, European-centred multinationals, and private clients. By distributing financial products to these selected customer bases, the bank aims to deliver sustainable value to its clients.

The financial performance of the bank was extensively discussed at each of the Supervisory Board meetings preceding the publication of quarterly, semi-annual and annual results. Relevant executives and internal and external auditors participated in these discussions. The meetings were preceded by meetings of the Audit Committee, which advised the full Supervisory Board on the treatment 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 clear picture of the bank's risks, results, capital and liquidity position, both in absolute terms and relative to agreed targets and the bank's chosen peer group.

In its January 2004 meeting the Supervisory Board reviewed and approved the Group Performance Contract for 2004.

In its May meeting the Supervisory Board was briefed extensively by a number of senior representatives of Group Risk Management on the principles and tools of credit risk, market risk and operational risk management.

The Supervisory Board also received regular updates from the Managing Board on the outstanding issues with the US regulators on the compliance of the bank's USD Clearing Centre in New York with 'Know Your Client' and Anti Money Laundering procedures. The Supervisory Board approved the new Compliance policy and organisation of the bank.

The Supervisory Board reviewed the bank's Sustainability Report, and complimented the Managing Board on the creation of a very comprehensive and informative report.

The Managing Board regularly informed the Supervisory Board about intended organisational and senior staff changes in the various bank businesses and about human resources policy. Particular attention was given to talent management and to the Talent Management Action Plan, developed by Group Human Resources (HR) and endorsed by the Managing Board. At the October meeting the refinements in the organisation were discussed as a consequence of the fine-tuning of the Group strategy, as explained above under 'Management changes in ABN AMRO.'

Corporate governance was discussed on several occasions in the light of global and Dutch developments in relevant ideas and legislation. The final Dutch corporate governance code (known as the 'Tabaksblat Code'), which was published on 9 December 2003, was discussed in detail. The Supervisory Board was pleased to be able to conclude with the Managing Board that ABN AMRO (and where relevant, the Trust Office administering ABN AMRO's preference shares) already applies, or shall apply, all of the Code's principles and 105 of its 109 (applicable) best practice provisions. Corporate Governance is further explained in a separate section in this Annual Report on pages 21 to 26. Additional information is available on the website www.abnamro.com.

The section on corporate governance includes an account of the reasons to propose the withdrawal of the preference shares. This proposal was approved by the Supervisory Board in its March 2004 meeting, as well as the decision to appoint Supervisory Board members by non-binding nomination. The Supervisory Board agreed with the idea of establishing an introduction programme for new Supervisory Board members, and this was put into practice with the appointment of Mr Olijslager on 29 April 2004.

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.

Audit Committee

The Audit Committee of the Supervisory Board is appointed by the Supervisory Board from among its members. On 1 January 2004 Aarnout Loudon stepped down as Chairman and member of the Audit Committee, and was succeeded as Chairman by Arthur Martinez. The other members of the Audit Committee are Wim Dik, Lord Sharman of Redlynch and Maarten van Veen. Both individually and collectively, these members have the necessary experience, financial expertise and independence to supervise the bank's business, financial statements and risk profile.

During 2004 the Audit Committee met with the Chairman of the Managing Board and the CFO on five occasions, in addition to separate meetings of the Audit Committee with the bank's internal and external auditors. During its meetings 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 on 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, in accordance with the relevant regulations. Ernst & Young has reviewed its engagements with ABN AMRO and confirmed to the Audit Committee that these engagements have not impaired Ernst & Young as independent auditors of ABN AMRO. The Audit Committee reviewed the performance and the quality standards of the external auditor and reported its findings and recommendations to the plenary Supervisory Board.

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

Particular attention was paid in 2004 to compliance, and the Audit Committee was kept informed on ABN AMRO's compliance organisation and policies. Attention was also paid to the Top Letters prepared by Group Audit, which summarise the operational and internal control aspects covered in its audit. For the first time, the Top Letter was issued independent from Ernst & Young, in line with the increased independence requirements now in place.

Furthermore, the Audit Committee was informed of the bank's progress in relation to compliance with the Sarbanes-Oxley Act, section 404. It was confirmed to the Audit Committee that ABN AMRO expects to be fully compliant with Sarbanes-Oxley 404 before 30 September 2006. The bank's progress in relation to implementation of the draft Basel II Accord and Capital Adequacy Directive 3 was also on the agenda of the Audit Committee. The bank opted for implementation of the most advanced approaches available for all risk types under Basel II. The Audit Committee was informed that the bank expects to meet the relevant Basel II requirements as of January 2006.

Our Whistle Blowing Policy became effective in 2004. During the year, there were no reports filed under the whistle blowing protection rules. The Audit Committee was informed accordingly.

Nomination & Compensation Committee

The membership of the Nomination & Compensation (N&C) Committee has not changed since 29 April 2003. Its members are Aarnout Loudon (Chairman), Antony Burgmans, Trude Maas-de Brouwer and Maarten van Veen. The SEVP in charge of Group HR acts as secretary to the meetings. During 2004, the Committee prepared several proposals for consideration by the Supervisory Board. The Chairman of the Managing Board was invited to the Committee's meetings to discuss relevant issues, such as the composition and compensation of the Managing Board.

The N&C Committee met on five occasions in 2004. A number of meetings were also held between the Chairman and Secretary of the Committee and the Committee's remuneration consultant. As in previous years, the Committee was assisted by an external remuneration advisor, Towers Perrin. A Towers Perrin principal dedicated to advising ABN AMRO on reward issues at Managing Board level 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 an arrangement which is separate from other consultancy services provided to ABN AMRO by Towers Perrin.

The Managing Board reward package in 2004 stayed in line with the compensation policy which came into force at the beginning of 2001. This policy is based on two principles. One is that the package must be competitive so that qualified and expert Managing Board members can be recruited from inside and outside the company and be retained. The second principle is that there must be a strong emphasis on actual performance against demanding targets in the short and longer term for all components except base pay.

The precise details of the 2004 reward packages are included in the notes to the financial statements (note 42, starting on page 149).

In line with the Supervisory Board's statement to shareholders in 2003, the Supervisory Board puts forward amendments to share-based compensation for approval by the General Meeting of Shareholders. In 2004 the shareholders were asked to approve a change in the performance condition for the 2004 stock option grant and the introduction of a deferred bonus scheme to be applied for the 2004 bonuses which will become payable in 2005. The General Meeting of Shareholders approved both proposals.

Managing Board contracts

The Dutch corporate governance code was published in December 2003 and became effective from the 2004 financial year. ABN AMRO decided to apply the Code as soon as possible, and provided a detailed overview of the Bank's corporate governance in accordance with the Code in a special supplement to the Bank's Annual Report 2003.

The Code has an impact – among other governance issues – on the employment relationship and reward packages for Managing Board members. ABN AMRO applies the principles and nearly all of the best practice provisions of the Code.

The N&C Committee and Supervisory Board agreed to continue with the current employment contracts for the members of the Managing Board. Although the best practice provision recommends an appointment (or re-appointment) term of a maximum of four years, it was decided this should not be applied to those current members who were originally appointed for an indefinite period in accordance with the obligations in force at the time. The other aspect of the employment contract that will not change for current members is the redundancy scheme. However, the Supervisory Board does intend to interpret this scheme in accordance with the new Code's best practice provision. For new members of the Managing Board the contractual redundancy clauses will reflect the provision in principle.

The Code also contains a best practice provision with respect to the chairing of the remuneration committee, ABN AMRO's N&C Committee. The current Chairman of the N&C Committee is Aarnout Loudon, who is also Chairman of the Supervisory Board. Although the Code recommends differently, ABN AMRO has decided that both Chairmanships can continue to be held by the same person. This decision reflects the valuable coordinating role played by the Chairman of the Supervisory Board, especially in the selection and nomination process for Supervisory and Managing Board members.

Future reward package

The N&C Committee has been reviewing the structure of the remuneration package, focusing particularly on the share-based arrangements and the balance of the package for the Managing Board. Although this package is in line with those provided by our peers, by which we mean other major Dutch companies and other European-parented banks, the N&C Committee is concerned about two aspects of the current arrangements. One is the effectiveness of the option plan. The second involves 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. Going forward, the N&C Committee believes that it will be more effective – and more in line with competitive practice – to give greater weight to those performance measures over which Managing Board members have more direct control.

Therefore, the N&C Committee decided to propose some re-balancing to the package, but without increasing its overall expected value – other than any increases required over future years to match normal market movements.

Before finalising its proposals, the Committee contacted a number of our major shareholders to explain what the Committee has in mind and to seek shareholders' views. After receiving positive feedback from all of the shareholders it contacted, the Committee has decided to propose the changes outlined below. Subject to shareholders' approval the intention is that these changes will become effective in 2005.

In summary, the proposed changes for 2005 are:

- Base salary will be adjusted from EUR 635,292 to EUR 650,000 for the members of the Managing Board, and from EUR 889,410 to EUR 910,000 for the Chairman
- The annual bonus will be 100% of base salary for 'on target' performance
- The long-term reward elements will consist of the ABN AMRO Share Investment and Matching Plan and the Performance Share Plan (PSP). Under the new approach, options will no longer form part of the long-term reward package. The PSP will be based equally on two elements. 50% of the PSP will reflect the performance in terms of relative total return to shareholders, retaining the existing comparator group and vesting schedule. The remaining 50% will be based on the average Return on Equity that the bank achieves over the performance period, which will remain four years as under the current PSP. The expected value of the long-term reward elements will be equivalent to approximately 100% of base salary.

Succession Planning

The N&C Committee and Supervisory Board discussed the subject of Managing Board succession planning. The composition of the Managing Board, its future replacement needs and the current talent pipeline of potential new Managing Board members were all looked into in detail, as well as the need for further development of potential successors. Going forward, the N&C Committee members will continue to get to know the relevant candidates, while revisiting the discussion over Managing Board succession on an annual basis.

Contacts with the Dutch Central Works Council

In accordance with the covenant concluded in 2003 with the Dutch Central Works Council (CWC), the three Supervisory Board members responsible for Dutch affairs in relation to the CWC – Maarten van Veen, Wim Dik and Louise Groenman – attended by rotation five 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. In November 2004, a joint meeting of the CWC, the Managing Board and four Dutch members of the Supervisory Board was held to discuss the offshoring and outsourcing of the bank's non-core activities. This meeting contributed significantly to the continuing dialogue on a very important subject for the future of the Group.

Amsterdam, 17 March 2005

Supervisory Board

Corporate governance

Corporate governance in ABN AMRO is defined by the way the bank organises and conducts the relationship between the Managing Board, the Supervisory Board and its shareholders. 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 – shareholders, clients, employees and society at large. In order to achieve good corporate governance, the company is organised in a way that promotes entrepreneurship by the Managing Board under the supervision of the Supervisory Board, on behalf of all shareholders. Integrity and transparency are key elements in ABN AMRO's system of corporate governance, as they are in our business as a whole.

Corporate governance in the Netherlands

The Dutch corporate governance code took effect on 1 January 2004. This means that the first official report on a company's corporate governance structure and application of the Code is required to be published in its 2004 annual report. However, given the importance ABN AMRO places on a transparent governance structure, we decided to report on our application of the Dutch corporate governance code a year earlier than required, in the Corporate Governance Supplement to the Annual Report 2003. We also discussed our application of the Dutch corporate governance code with our shareholders during the annual general meeting of shareholders on 29 April 2004.

The Corporate Governance Supplement for 2004 will not be published in a hard-copy format this year but can be found on our corporate website. We are pleased to confirm that ABN AMRO (and where relevant the Trust Office as defined later) 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 interests of ABN AMRO and its various stakeholders to apply different best practices in these circumstances. Although our explanations in this regard have remained materially unchanged, they are repeated below for the purpose of clarity:

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 have been appointed for an indefinite period in accordance with the applicable statutory obligations at the time of their appointment. ABN AMRO will apply the Code's best practice provision if and when new members of the Managing Board are appointed.

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 ABN AMRO's Managing Board (as at 1 January 2004) will remain unchanged. The Supervisory Board intends to interpret the redundancy scheme as set out in the employment contracts of the current members of the Managing Board in accordance with this best practice provision. For new members of the Managing Board, a contractual redundancy clause will be adopted reflecting this provision in principle.

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 managing 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, the N&C 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 N&C Committee.

Best practice provision IV.1.1 states that the general meeting of shareholders of a company not having 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 this 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.

• The Supervisory Board of ABN AMRO has decided, for the time being, to make non-binding nominations for the appointment of its members. This means that the appointment of a candidate for the Supervisory Board or the Managing Board – if 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 Managing Board is proposed on the basis of a binding nomination, the binding nature of the nomination can be set aside by the General Meeting of Shareholders passing a resolution with a two-thirds majority of the votes cast representing more than half of the economic value of the capital. Subsequent candidates (that have been nominated by the shareholders) require the same majority as referred to above in order to be appointed. 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 situation requires an absolute majority of the General Meeting of Shareholders, and in this case ABN AMRO applies this best practice provision. In the second situation, ABN AMRO also wishes to follow the procedures as 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.

Corporate governance in the US

ABN AMRO is a US Securities and Exchange Commission registered company with a listing on the New York Stock Exchange. This means we are subject to US securities laws, including the Sarbanes-Oxley Act and certain of the corporate governance rules of the New York Stock Exchange. 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. In all respects, ABN AMRO's oversight and corporate governance practices fully honour the spirit and requirements of the reforms introduced by 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 Principal Accounting Officer (Chairman), the Head of Group Legal & Compliance, the Head of Investor Relations, the Head of Group Audit, the Head of Group Risk Management Reporting and, as needed, persons from other parts of the company.

Another 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. The report on internal controls is subject to independent attestation by ABN AMRO's external auditor. We will provide our report for the first time with our 2006 Annual Report.

ABN AMRO believes it is important that we give our stakeholders a clear insight into our continuing compliance with relevant corporate governance requirements. In this regard we refer to the summary on pages 171 to 174 of this Annual Report in which we set out a comparison of Dutch and US corporate governance regulations in respect of several main corporate governance-related items. Please note that the information provided in the summary is by no means exhaustive and that as the two corporate governance structures differ, the references to equivalent provisions can not be exact in all respects.

Shareholders' role in governance

The holding company ('Holding') and the bank ('Bank') are both public companies with limited liability incorporated under the laws of the Netherlands. Although Holding left the large company regime ('structuurregime'), as set out in sections 152 to 164 of Book 2 of the Dutch Civil Code, in 2003, Bank still applies the full large company regime ('volledig structuurregime') voluntarily. Bank will change fom applying the full large company regime to applying the large company regime in its mitigated form ('verzwakt structuurregime'), which means that the Managing Board of Bank, like its Supervisory Board, is appointed by its shareholder, Holding.

ABN AMRO takes the view that it is essential to have a corporate governance structure which is transparent and in accordance with international standards. In line with this conviction, we decided to abolish our structure of preference shares with a defence function. The old (depositary receipts of) preference shares were cancelled on 30 September 2004 and new (depositary receipts of) preference shares were issued that perform no defence function. The restructuring of the preference shares was approved by an Extraordinary General Meeting of Shareholders on 25 August 2004. During this meeting, the shareholders also approved an amendment to the articles of association of Holding in order to reflect the new structure.

The new (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 Stichting Administratiekantoor ABN AMRO Holding that held the previous depositary receipts of preference shares has been dissolved as of 31 December 2004.

In contrast to the previous structure, the voting rights on the new 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.

Although the Trust Office holds preference shares representing 100% of the total capital on the basis of nominal issued share capital outstanding on 31 December 2004, the actual voting power that can be exercised on the (depositary receipts of) preference shares is approximately 2.3% of our total issued capital, based on the closing share price as at 31 December 2004.

On 1 October 2004, an Act containing amendments to Book 2 of the Dutch Civil Code took effect. Among other changes, this Act gives shareholders broader powers. In anticipation of the adoption of the final updated text of the Act, Holding's articles of association were amended in 2003 to include the right for shareholders representing at least 1% of the economic value of the share capital 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 Holding would be entitled to approve important decisions that change the identity and character of the company and to approve the remuneration policy of the Managing Board. We will propose to our shareholders at the 2005 Annual General Meeting of Shareholders that Holding's articles of association are amended in accordance with the Act. Bank's articles of association will subsequently also be aligned with the Act.

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 Holding. In order to ensure the Supervisory Board's independence, we apply the criteria of independence as set out in the Dutch corporate governance code. 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. The members of the Supervisory Board are remunerated as set out in more detail on pages 156 to 157.

With effect from 29 April 2004, 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 years. As described in the report of the Supervisory Board, these criteria led to two new nominations to replace Prof. W. Dik and Mr A. van Veen.

A Chairman and a Vice Chairman are appointed by the board from among its members. The Supervisory Board also appoints the Audit Committee of at least four members and the N&C Committee of at least three members from among its members. The Audit Committee members are appointed for a period of four years. The Rules governing the Supervisory Board's Principles and Best Practices of Holding have been revised as a result of the overall reassessment of Holding's corporate governance structure on the basis of the Dutch corporate governance code. The Rules are available at our office and on the corporate 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 Holding's Annual Report published in the year in which he or she is appointed. The Managing and Supervisory Boards of Holding and Bank have the same membership.

The Audit Committee reviews and advises on the quarterly and annual financial statements, the Annual Report to the Supervisory Board, the external auditors' report and the auditors' management letter. It regularly reviews the overall risk profile, the quality of the loan portfolio and the bank's large exposures. In addition, the Audit Committee regularly reviews ABN AMRO's accounting policies, the internal audit function, ABN AMRO's audit charter, and the internal control procedures and mechanisms. The Audit Committee also reviews our risk management policy, and reports on litigation and acquisitions. In accordance with ABN AMRO's 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 of the Supervisory Board. The Committee formally evaluates the independence of the external auditor, measures for controlling the quality of the external auditor's work, and the annual audit budget. The Audit Committee'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 upon 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.

The tasks and responsibilities of the N&C Committee include preparing the selection and nomination of members of the Supervisory and Managing Boards and determining the compensation plans of Managing Board Members, which are submitted to the Supervisory Board for approval.

Managing Board

The members of the Managing Board collectively manage the company and are responsible for its performance. They 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 Operating Officer has responsibility for extending shared products and services delivery across our BUs, in addition to various Group Functions related to strategy and performance management. The other three members of the Managing Board are each responsible for commercial parts of the business.

The management of the (S)BUs and Group Functions is delegated to Executive Committees. The Executive Committees consist of one or more Managing Board members and one or more senior executive vice presidents and executive vice presidents. A broader leadership team, the Group Business Team, operates alongside the Executive Committees. The Group Business Team consists of eight senior executive vice presidents alongside the Managing Board.

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

Group strategy

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

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

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

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

2 Focusing on:

- consumer and commercial clients in our home markets of the Netherlands, the US Midwest, Brazil and in selected growth markets around the world
- selected wholesale clients with an emphasis on Europe, and financial institutions
- private clients

3 Leveraging our advantages in products and people to benefit all our clients

4 Sharing expertise and operational excellence across the Group

5 Creating 'fuel for growth' by allocating capital and talent according to the principles of Managing for Value (MfV), our value-based management model.

We aim for 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 84, as well as in our Sustainability Report which is being published alongside this Annual Report. Our ability to build sustainable relationships, both internally and externally, is crucial to our ability to achieve sustainable growth.

Client focus

Our clients are the prime beneficiaries of our relationship-based approach through our different (S)BUs. Through this Group-wide client-led strategy we create value for a comprehensive spectrum of clients. In terms of individual clients these range from the mass retail consumer segment to the very high net worth private clients segment, while on the corporate clients side they range from a large number of small businesses to a smaller 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. On the consumer side these include the mass affluent segment in our Consumer & Commercial Clients BUs as well as a large number of clients in our BU Private Clients, while on the corporate clients side they include a significant number of medium to large companies and financial institutions. 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, in many cases uniquely so. Our range of activities sustains our advantaged position with these clients. For example, in order to remain successful with our clients at the top end of the corporate and consumer segments, we need to invest in product quality and innovation. The enhanced or new products resulting from these investments can eventually be leveraged to the benefit of our mid-market clients as well. At the same time, our participation in the mass market segments supports the cost of investing in the required infrastructure, such as office branches and IT, while also serving as a feeder pipeline of future clients.

Our growth strategy is to build on ABN AMRO's strong mid-market positions, 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 leverage our international product range and network to the benefit of all our primary client bases, 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 our new 'Making more possible' tag line. 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 New Growth Markets is successfully exploiting the attractive opportunities that are opening up in several emerging markets, including Greater China and India. Our stakes in the Italian banks Banca Antonveneta and Capitalia remained unchanged at levels of 12.7% and 9.0% respectively in 2004. The shareholder's pact of Banca Antonveneta – in which we have participated since 2002 – will not be renewed after the expiration date in April 2005. We are considering alternatives regarding our stake in Banca Antonveneta.

Capitalising on our 'one bank' advantages

Our ability to generate value for clients and shareholders will increasingly depend on sharing expertise and operational excellence across the Group. To enable the Group to provide our mid-market clients with the best possible products and services, we have created a cross-(S)BU Consumer segment and a cross-(S)BU Commercial segment. The role of these segments will include driving the application of winning formulas across the different countries, and working with Asset Management, Transaction Banking Group, Wholesale Clients and other product units to deliver high-quality solutions to our various client bases.

Across our various markets ABN AMRO has developed a global payments franchise. In order to capture all the potential efficiencies from our scale more effectively, and to realise incremental returns on our investments in this area, we have combined all our product management and development activities in the payments and trade segments around the world into a new global Transaction Banking organisation, which will report to the Group COO.

We will also continue to build on the initial success of Group Shared Services, which was established in January 2004. This organisation will continue to focus on identifying and exploiting potential cost savings through further consolidation and standardisation across all our operations. Group Shared Services will also investigate and implement new market solutions, in order to ensure all our (S)BUs get the support services they need to provide clients with even better products and services delivered in the most efficient way.

Focusing on our core activities

In order to focus our Group more effectively on our core strengths, we decided to dispose of a number of non-core or non-sustainable activities in 2004. These disposals included the sale of LeasePlan Corporation in the Netherlands, our 80.77% stake in Bank of Asia in Thailand, our domestic custody business in eight countries in Europe and Asia, Executive Relocation Corporation in the US and our Professional Brokerage business in the US. A further disposal was achieved through our outsourcing of ABN AMRO

Asset Management's fund administration and investment operations services. In addition, we announced our intention to sell ABN AMRO Trust.

At the same time we continued to make targeted investments aimed at strengthening our core business and our positioning in key growth markets. For example, in Germany we acquired private bank Bethmann Maffei, which we have merged with Delbrück & Co to form Delbrück Bethmann Maffei, making ABN AMRO one of the top five private banks in Germany.

Capital adequacy

We are continuously improving the relationship between our tier 1 capital and our RWA in order to ensure we maintain our AA– credit-rating. The minimum tier 1 ratio required is 4%, compared to our target tier 1 ratio of 8.5%. Our tier 1 ratio has risen from 7.03% at the end of 2001 to 8.57% at the end of 2004. Over the same period we also raised our so-called 'core' tier 1 ratio, which excludes preference shares, from 4.47% to 6.39%. Our target for this ratio is 7.0%.

Looking ahead, ABN AMRO is strategically positioning itself to capitalise on the draft Basel II and Capital Adequacy Directive 3 regulations, at both Group and (S)BU levels. We are doing this by using an Advanced Internal Ratings Based basis (AIRB) for credit risk, and an Advanced Measurement Approaches basis (AMA) for operational risk. This approach is discussed further in the section 'Basel II and economic capital', starting on page 89.

Targets for the next performance cycle 2005-2008

Our continuing commitment to disciplined use of capital will be underpinned by a new target based on Return on Equity (ROE) for the four-year performance cycle to the end of 2008. For the four-year performance cycle just ended, we set ourselves a shareholder value-based target of realising a total return to shareholders (TRS) that would rank in the top five of a peer group consisting of twenty of our competitors. In the last cycle we did not achieve this target, but the discipline involved in pursuing it has helped us to become a much more focused and accountable organisation. So we will therefore set ourselves an identical TRS ambition for the next four-year period, alongside the new ROE target. Details of our ROE target will be announced at the same time as our first quarter results.

Managing for Value

We have implemented MfV throughout our organisation. MfV is our instrument for allocating resources to where they earn the best long-term economic profit (net profit after tax less the risk-adjusted cost of capital), 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.

'Making more possible'

We presented our first-ever global tag line 'Making more possible' at the beginning of February 2005. 'Making more possible' aims to communicate at a glance what we stand for to customers, employees and other stakeholders. It builds on the rebranding in 2003, when our major subsidiaries adopted the Group's green and yellow shield logo. These subsidiaries are now also adopting our tag line. 'Making more possible' will appear in English, Dutch, French, German and Portuguese.

'Making more possible' captures our business approach of aiming to enter into a partnership with our customers. It also emphasises that we are one Group with the same business methodology and the same high quality of service all over the world, while – internally – it unites our staff and helps us to focus on our common vision.

Core businesses

Consumer & Commercial Clients

Key figures SBU Consumer & Commercial Clients

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**6,980**	6,867	6,855
Net commissions	**1,763**	1,531	1,652
Results from financial transactions	**173**	242	226
Other revenue	**1,359**	1,946	1,566
Total revenue	**10,275**	10,586	10,299
Operating expenses	**6,766**	6,460	6,656
Operating result	**3,509**	4,126	3,643
Provisioning for loan losses	**583**	815	881
Value adjustments to financial fixed assets	**(1)**	3	8
Operating profit before taxes	**2,927**	3,308	2,754
Taxes	**805**	1,093	759
Minority interests	**50**	27	21
Net profit	**2,072**	2,188	1,974
Total assets	**216,414**	220,914	228,293
Risk-weighted assets	**145,729**	141,360	142,550
Full-time equivalent staff	**70,029**	77,369	71,169
Number of branches and offices	**3,567**	3,288	3,030

The SBU Consumer & Commercial Clients serves almost 20 million consumer clients, small to medium-sized enterprise clients and corporate clients, and has an especially strong position in the mass affluent and commercial segments. It operates principally in the Netherlands, the US Midwest and Brazil. These are our home markets where we have a leading local franchise operated through local staff. In 2004, our continuing development of Consumer & Commercial Clients' business included rolling out the Van Gogh Preferred Banking relationship banking concept in Brazil. Originally developed and implemented in BU New Growth Markets, Van Gogh Preferred Banking offers mass affluent clients superior value in banking and non-banking products and services, including personalised attention from a dedicated relationship manager.

Our consumer and commercial banking activities in New Growth Markets in Asia and in Europe are part of Consumer & Commercial Clients, as is Bouwfonds, ABN AMRO's property development and financing subsidiary. In 2004 we took over responsibility from Wholesale Clients for consumer banking activities in Indonesia, Singapore, Pakistan and the UAE. Our strategic participations in Capitalia and Banca Antonveneta in Italy and Kereskedelmi és Hitelbank Bank in Hungary were transferred to Group Functions, as reflected in the financial results.

We are pursuing several knowledge-sharing initiatives to realise economies of scale and synergies. These will enable us to focus even more strongly on our customers, particularly in areas where we already have a competitive advantage. This is

- on the commercial side on small and medium-sized corporate and commercial 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)	**2004**	2003	2002
Net interest revenue	**2,521**	2,604	2,323
Net commissions	**632**	579	650
Results from financial transactions	**35**	24	26
Other revenue	**13**	137	109
Total revenue	**3,201**	3,344	3,108
Operating expenses	**2,699**	2,519	2,554
Operating result	**502**	825	554
Provisioning for loan losses	**201**	246	137
Value adjustments to financial fixed assets	**0**	2	8
Operating profit before taxes	**301**	577	409
Taxes	**94**	159	135
Minority interests	**0**	3	1
Net profit	**207**	415	273
Total assets	**85,660**	84,150	93,570
Risk-weighted assets	**55,692**	52,634	54,223
Full-time equivalent staff	**19,846**	21,417	23,156
Number of branches and offices	**662**	666	689

Netherlands

As of 31 December 2004 the BU Netherlands had 4.6 million consumer clients, over 350,000 small to medium-sized enterprise clients and around 3,000 corporate clients. The size and diversity of this client base makes ABN AMRO one of the leading banks in the Netherlands. The bank reaches its clients through a network of 78 advisory branches, five dedicated corporate client units, 556 bankshops and 480 stand-alone ATMs, as well as through four integrated call centres and via internet and mobile channels.

Strategy, products and services

BU Netherlands' aspiration is to become the primary bank for all our customers by delivering services that make a real difference, are always personal, and are available through every channel. The BU Netherlands' key competitive advantage lies with affluent individuals and with medium-sized corporate enterprises.

BU Netherlands is a fully-integrated consumer and commercial bank offering a broad range of financial services and products, including products that are developed by the bank's other (S)BUs. Furthermore, we offer insurance products that are manufactured by our joint venture with Delta Lloyd. We have also developed tailored product packages to meet the needs of targeted client groups.

BU Netherlands operates a multi-channel service model through which it provides ABN AMRO clients in the Netherlands with a full range of financial services, 24 hours a day, seven days a week. We implemented several initiatives during 2004 to upgrade our services and enable our customers to access them more easily. As a result, ABN AMRO is now ranked in first place for service quality both in internet banking and call centres as shown by customer surveys conducted in the Netherlands in November 2004. Alongside this external recognition, our efforts also resulted in improved client satisfaction in all our customer segments in 2004. The proportion of satisfied clients, defined as those rating their satisfaction with us at six or more out of 10, rose by 2% in 2004 to

Record investment in ABN AMRO Yield Discovery Notes

In 2004, retail investors in the Netherlands invested over EUR 1 billion in three new ABN AMRO Yield Discovery Note issues. This made these Notes ABN AMRO's most successful launch ever of an investment product for the retail market, while serving as a striking example of cooperation and synergies between BUs.

The Yield Discovery Notes pay a high, fixed rate of interest in the first few years, with a variable rate of up to 8% thereafter. Their nominal value on maturity is fully guaranteed. The Yield Discovery Notes are part of ABN AMRO's range of Structured Products, and the investments are spread across a wide range of sectors throughout the world. These represent a new breed of investment products, designed by Wholesale Clients' Equity Derivatives department for the private market and put together in the bank's dealing room from a mixture of shares, bonds and derivatives. These products were originally available only to institutional investors, but are now freely traded on the stock market.

The success of the Yield Discovery Notes reflects the generally more cautious stance now being assumed by retail investors. Straightforward investment in shares and bonds has become riskier over the past few years, and individuals want to keep tight control of their investment risks. Structured Products provide them with an excellent and cost-effective way to do this.

89%. The strongest increases in satisfaction were among our SME and – following the introduction of preferred banking – mass affluent clients.

Results in 2004

BU Netherlands' net profit was strongly impacted by the restructuring charge related to Group Shared Services in 2004 of EUR 287 million in expenses (EUR 188 million at net profit level). The comparison is moreover influenced by two one-off gains which had boosted the 2003 results. These were a EUR 111 million gain from the sale of our insurance activities to the joint venture with Delta Lloyd, and a one-off revenue contribution of EUR 120 million (EUR 79 million on net profit level) from an interest reserve which was released following the termination of the Amstel securitisation vehicle. Adjusted for these three items, revenues increased by 2.8% to EUR 3,201 million in 2004, and net profit grew strongly to EUR 395 million (75.6%). The results comparison below is adjusted for these one-off items.

Despite the weak Dutch economy, revenues increased. Commissions were up 9.2% at EUR 632 million, mainly due to higher payment commissions resulting from the introduction of service fees in the second half of 2004. In addition, commissions from securities were supported by successful product placements such as the Yield Discovery Notes and the GURU Note. Net interest revenue increase by 1.5% to EUR 2,521 million, as volume growth more than compensated for lower margins.

BU Netherlands maintained its tight control of costs. Operating expenses declined by 4.2% to EUR 2,412 million driven by lower staff costs as a result of lower pension costs and a lower number of FTEs. The number of FTEs fell by 1,571, mainly as a result of the transfer of European Payments Centre, HR Services and the ABN AMRO Academy to Group Shared Services. These transfers were cost neutral in 2004. Administrative expenses were down due to lower information technology costs.

As a result, the operating result increased by EUR 195 million to EUR 789 million. The efficiency ratio improved by 5.6 percentage-points to 75.4%.

Driven by a broad-based improvement in the credit quality of the retail portfolio, provisions were down by EUR 45 million to EUR 201 million or 37 bps when measured against our average RWA. On the commercial side, most of the improvement was caused by lower provisioning for the SME portfolio.

Key figures BU North America

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**2,266**	2,377	2,616
Net commissions	**610**	603	711
Results from financial transactions	**106**	152	153
Other revenue	**593**	1,373	1,038
Total revenue	**3,575**	4,505	4,518
Operating expenses	**2,092**	2,258	2,307
Operating result	**1,483**	2,247	2,211
Provisioning for loan losses	**105**	306	477
Operating profit before taxes	**1,378**	1,941	1,734
Taxes	**429**	674	604
Minority interests	**3**	1	0
Net profit	**946**	1,266	1,130
Total assets	**73,444**	82,997	95,383
Risk-weighted assets	**53,734**	55,263	61,669
Full-time equivalent staff	**17,159**	19,356	18,680
Number of branches and offices	**428**	425	426

Overall, net profit increased strongly by 75.6% to EUR 395 million.

Initiatives for 2005

Looking forward, our focus will continue to be on strengthening and deepening our relationships with our clients. We are confident of achieving this, as we progressively upgrade our offerings to our target groups of clients, thereby encouraging them to use ABN AMRO more often as their primary bank. We will continue to pursue this aspiration by formulating clear service models and specific product packages especially for our SME, mass affluent and young professional clients.

North America

Our Business Unit North America operates under two brands: LaSalle Bank, headquartered in Chicago, Illinois; and Standard Federal Bank, based in Troy, Michigan. To correspond with our increasing Midwest presence and to achieve the strength of greater brand cohesiveness in the US, Standard Federal Bank will take the name LaSalle Bank Midwest later this year.

BU North America serves approximately 3.1 million individuals, mid-market companies, small businesses, institutions and municipalities. We operate more than 420 retail branches in three states, and serve our commercial clients from Chicago and Michigan as well as from 14 regional offices across the country. In early 2005, both LaSalle Bank and Standard Federal Bank adopted the newly-launched ABN AMRO global tag line, ‘Making more possible.’ This tag line reflects the way in which we work seamlessly with all the other BUs around the world to create and exploit opportunities for every client, whether those possibilities emerge close to home or far away.

Overall, ABN AMRO is the second-largest foreign banking group in the United States. Ranked by assets and deposits, we are the second-largest bank in the area of Chicago and the third-largest in Michigan. Collectively, we are 14th largest bank in the US with assets exceeding USD 100 billion, and are now also the 14th largest in terms of deposits.

Strategy, products and services

During 2004 we realigned our operations into three strategic businesses – Commercial Banking, Specialty Finance and Personal Financial Services – to enhance our focus on, and services to, high-potential clients in each of these areas. These three operations work closely together to deliver a seamless service to clients and realise operational synergies. In addition to these three businesses, we operate nationwide mortgage activities through our Mortgage Group.

Our Commercial Banking segment has a very strong position in its chosen market, focusing on providing mid-market companies with a total commercial banking solution including lending, expertise in specialised industries, treasury management, and trust and asset management services. We are continuing to broaden our geographic reach by establishing new regional banking offices. In 2004 we opened commercial banking offices in Pittsburgh (Pennsylvania), Kansas City (Missouri), Boca Raton (Florida), and Norwalk (Connecticut).

Our Specialty Finance business encompasses commercial real estate lending, asset-based lending, debt capital markets, syndications and corporate finance. Commercial real estate lending accounts for approximately 15% of BU North America's profitability and our asset-based lending group is among the top five in the US. This business operates in an increasingly competitive environment. In facing up to this challenge, we are helped by being part of the ABN AMRO network, which brings us the added advantage of being able to offer companies international corporate banking, global treasury management, global trade advisory and foreign exchange services.

We provide Personal Financial Services (PFS) to consumers and small businesses through our local branches and via online banking and other electronic channels. We offer a full suite of banking, loan, mortgage, investment and insurance products. Our Wealth Management group helps high-potential client segments including affluent business owners, individuals and families to accumulate, preserve and transfer their assets.

'Making more possible'

When fire forced temporary closure of our BU North America's Chicago headquarters in December 2004, 3,000 LaSalle Bank Corporation personnel had to be relocated immediately. Most employees quickly moved to shared desks in the nearby ABN AMRO Plaza tower and LaSalle branches. However, others found alternative arrangements thanks to the generosity of one of our customers, giving special meaning to our tag line, 'Making more possible'.

BU North America also operates US-wide businesses engaged in the residential mortgage industry, broker dealer services, and equipment financing and leasing. Our ABN AMRO Mortgage Group, an established player in the US mortgage banking industry, originated EUR 41.4 billion or USD 56.5 billion of home mortgages in 2004, and serviced a mortgage portfolio of more than EUR 147 billion or USD 200 billion.

Results in 2004

BU North America's net profit decreased by 25.5% to EUR 943 million in 2004, adjusted for the incidental events mentioned below. This decrease was mainly the result of the bigger-than-expected decline in the mortgage activities. On average the US dollar depreciated 8.7% against the euro in 2004.

The results comparison is adjusted for the following one-off events:

- The gain on the disposal of the Executive Relocation Company (EUR 73 million in revenues and EUR 43 million in net profit)

Record volume in Global Securitisation Trust Services

LaSalle Bank's Global Securitisation Trust Services group offers trustee and processing services to the mortgage- and asset-backed securities community. At year-end 2004, we were trustee on more than USD 800 billion of securitisation transactions worldwide.

We remain a world leader in the increasingly competitive market for trust assignments on collateralised debt obligations (CDOs). In 2004, we ranked number two globally in CDO trustee services, capturing 22% of the market as trustee on USD 23 billion of transactions.

Additionally, for the 10th consecutive year, we were number one in the US for commercial mortgage-backed securities trustee appointments.

To enable us to take advantage of further global growth opportunities, we established operations in Mexico City in 2004 offering an array of security trust products.

- A restructuring charge, impacting operating expenses by EUR 61 million and net profit by EUR 40 million.

BU North America's revenue decreased by 22.3% in 2004. The commercial banking revenues and favourable results of Asset and Liability Management increased non-mortgage income by 5.8%. However, this increase could not offset the 66.9% decline in mortgage revenues. This fall was the result of a sharp reduction in mortgage origination income, which in itself increased competition and lowered origination margins. Mortgage revenues accounted for 10.4% of total revenue, compared with 27.1% in 2003.

Following good cost control across all business lines, operating expenses remained stable. FTEs decreased by 2,197 or 11.4% of total staff following the reduction in mortgage activity.

As a result of the above, the operating result of BU North America decreased in line with expectations by 34.5%, while the efficiency ratio increased slightly to 58.0%. The operating result of the non-mortgage banking activities improved by 25.7%.

Our provisioning declined from 51 bps in 2003 to 18 bps of average RWA in 2004, as the quality of the commercial loan portfolio improved. Provisioning further benefited from an unusually high level of recoveries in the commercial loan portfolio which accounted for 21 bps of the total 33 bps reduction.

All in all, the underlying growth of the commercial and retail banking franchise, good cost control and low provisioning were able to partly offset the sharp decline in mortgage revenues. Consequently, net profit decreased by EUR 323 million.

Initiatives for 2005

In 2005 we will maintain our steadfast commitment to delivering exceptional customer experiences throughout every area of our business. Whether an interaction takes place in person, online or by phone, we will always focus on meeting our customers' needs in a timely and efficient manner. Our goal is to continue to build deep, durable, trust-based relationships. This approach embodies our customer-centric culture and differentiates us in an increasingly crowded and competitive marketplace.

To help us achieve this goal in our PFS business, we recently implemented a new sales and serving model based on collaborative selling between branch personnel and a specialised sales force. The new structure shifts much of the specialised sales work away from the branches, allowing personnel there to focus solely on selling core products and servicing branch customers. The specialist sales force concentrates on product solutions beyond the core suite. Both groups, along with their PFS partners, focus on the needs of customers, not simply on selling products.

Key figures BU Brazil

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**1,514**	1,304	1,385
Net commissions	**317**	214	175
Results from financial transactions	**8**	44	30
Other revenue	**160**	132	146
Total revenue	**1,999**	1,694	1,736
Operating expenses	**1,298**	1,071	1,199
Operating result	**701**	623	537
Provisioning for loan losses	**226**	258	193
Operating profit before taxes	**475**	365	344
Taxes	**147**	147	(57)
Minority interests	**42**	12	10
Net profit	**286**	206	391
Total assets	**13,886**	12,329	7,878
Risk-weighted assets	**9,300**	7,819	5,955
Full-time equivalent staff	**26,800**	28,160	21,954
Number of branches and offices	**2,331**	1,970	1,696

We believe this model equips PFS and the branch network with the higher level of specialised resources needed to accomplish our shared goals of capturing new customers, retaining existing customers and providing exceptional customer service.

Brazil

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

In October 2003, ABN AMRO significantly reinforced its position in the local market by acquiring Banco Sudameris. This bank had a strong presence in the south east of Brazil, a region that accounts for approximately 56% of the country's gross domestic product. As of 31 December 2004, this acquisition made ABN AMRO the fourth largest privately-owned Brazilian bank by deposits and loans, and the fifth largest by assets. The acquisition of Banco Sudameris also added a well-distributed network of 294 branches, and gave us access to 700,000 clients, including a select group of high net worth individuals. This furthered the bank's strategy in the premium retail segment.

The distribution network in Brazil has expanded rapidly, growing from 1,539 branches and mini-branches in December 2000 to 1,890 branches and mini-branches in December 2004.

Strategy, products and services

Our goal is to be one of the most efficient privately-owned retail and commercial banks in Brazil. We have registered steady asset growth and a strong operational performance, maintaining a consistent position and offering excellent potential for future growth in the retail and commercial banking businesses. We continue to be a leading player in car finance through the Aymoré brand.

In 2004, we initiated and implemented a project to increase the benefits from cross-(S)BU alignment by integrating Consumer & Commercial Clients and Wholesale Clients clients, making better use of industry knowledge and creating a single product platform and organisation. As a result, we have redefined our organisational structure and centralised support functions such as HR to enable us to focus more effectively on our value chain. In the medium to long term, this reorganisation will increase our revenues, while also helping us to achieve our aim of raising client satisfaction on a continuing basis.

Our commitment to achieving continuous improvement in client satisfaction reflects our belief that this is the cornerstone of successful client relationships. In 2004, we succeeded in increasing our client satisfaction ratio for the fourth year in a row, taking our proportion of satisfied clients up to 78% (of which 40% were very satisfied) in December. In order to service the needs and expectations of our clients more effectively and improve our product offering, we segmented our client base according to each client's profile and needs. We will continue to focus on the development, maintenance and distribution of products and services, based on client needs.

We upgraded our channel offer in 2004, bringing our distribution channels closer together and enhancing the level of security for internet banking transactions. Clients are receiving the same products and services through alternative distribution channels, including the internet, call centres and service outlets. ABN AMRO Real was awarded 'Best Call Center Manager – 2004' and 'Best Brazilian Contact Center – 2004' at the 6th International Call Center Management Conference.

Results in 2004

Brazil's overall economic stability and outlook have improved tremendously over the past two years. Domestic economic activity has been on an upward trend since mid-2003, underpinned by lower interest rates and growth in exports. At the same time, the Brazilian government's commitment to fiscal and monetary policy discipline has reduced the level of country risk and brought inflation down towards the official target of 5.1%. GDP has grown at a rate of 5.2% in 2004 and is expected to grow by 3.5% in 2005, reflecting a slowdown in international economic growth. Business spending is expected to increase to fund an expansion in capacity, leading to increased employment and sustainable levels of consumer demand.

This macro-economic development has had a positive impact on financial institutions, on the back of good interest rates margins and loan growth. This translated into better results for our BU Brazil as well, despite an average depreciation of the Brazilian real of 4.4% against the euro.

Revenues of the BU Brazil grew by 18.0% driven by an increase in interest revenues and in commissions. This development is particularly positive given the decrease in the average Brazilian nominal interest rate (SELIC) of around 700 bps compared to 2003. Banco Sudameris, consolidated on a full year basis in 2004 compared to only two months in 2003, contributed significantly to this revenue growth. In addition, organic growth was very strong on the back of robust loan demand which grew our loan portfolio by 25.1%.

Operating expenses increased by 21.2%. This development was driven by the consolidation of Banco Sudameris for the whole year, integration costs and higher staff costs. Staff costs were up following the introduction of a new collective labour agreement. This agreement involved a 15.4% salary increase effective per October 2003, and an additional rise of 8.5% per October 2004. FTEs decreased by 4.8% due to the integration of Banco Sudameris.

Consequently, the operating result increased by 12.5% and the efficiency ratio increased from 63.2% in 2003 to 64.9% in 2004. This performance is very satisfactory considering the combined effects of the contractual increase in staff costs in 2004, the expenses related to the integration of Banco Sudameris and the negative impact of lower inflation and lower interest rates on revenues.

Provisions declined from 394 bps of average RWA to a historical low of 260 bps. The improvement in macro-economic conditions led to a significant decline in delinquency rates in all segments of the loan portfolio. This development was further enhanced by the upgrading of credit scoring and collection procedures.

The effective tax rate decreased from 40.3% to 30.9%, due to lower taxes related to the USD offshore book, caused by a lesser appreciation of the Brazilian real against the US dollar in 2004 compared to 2003.

BU Brazil's net profit increased by 38.8% to EUR 286 million, as a result of revenue growth, cost control, a decline in provisions and a lower effective tax rate.

Initiatives in 2005

Our prime objective for 2005 is to capitalise on the potential benefits of our recently-enlarged business platform by exploiting efficiencies and keeping costs under control. Banco Sudameris has been fully operational under ABN AMRO standards since October 2004 and, as we announced at the time of the acquisition in late 2003, we expect to capture synergies worth some BRL 300 million (approximately EUR 80 million) by 2005. We will also maintain our focus on improving client satisfaction and loyalty by continuing to tailor our product and service offers to our various client segments. For our premium retail segment clients we shall continue to expand our service-led Van Gogh Preferred Banking offering.

Van Gogh Preferred Banking

In 2004, ABN AMRO implemented the Van Gogh Preferred Banking global proposition in Brazil. This is a relationship banking approach for affluent customers, professionals and business owners, offering superior customer value in sales, service and fulfilment in both banking and non-banking products and services.

The first three branches were launched in February 2004 in the city of Porto Alegre, in the south of Brazil, while the national rollout started in March, reaching the cities of Sao Paulo, Rio de Janeiro and Belo Horizonte. In June, the preferred banking concept was launched in the cities of Uberlandia and Natal, and in September it reached Brasilia, Recife, Curitiba, Sao Jose dos Campos and Juiz de Fora. By December, our preferred banking concept had also been implemented in the cities of Florianopolis, Goiania and Vitoria.

The roll-out of Van Gogh Preferred Banking in Brazil reached 66% of ABN AMRO Real's mass affluent client base in 2004. This means we have converted some 276,000 clients to the new service concept, as well as remodelling 55 branches so far. Significantly, the regions where Van Gogh Preferred Banking has been implemented are already achieving better results than those regions where it is not yet available. The Van Gogh Preferred Banking concept is being supported through innovations in product development as well as in branch layout and design.

New Growth Markets

Within SBU Consumer & Commercial Clients, the BU New Growth Markets reports its results separately for the first time in 2004 to enhance transparency and to reflect its growing size and the bank's increasing strategic focus on Asia. Up to 2003, BU New Growth Markets was part of Rest of the World together with Bouwfonds and a collection of other activities in several countries. BU New Growth Markets and Bouwfonds are now separate entities within SBU Consumer & Commercial Clients, while the other activities have been moved to Group Functions.

Strategy, products and services

As well as its separation into a distinct BU in 2004, a number of other changes were

Key figures BU New Growth Markets

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**270**	244	301
Net commissions	**185**	116	104
Results from financial transactions	**24**	22	18
Other revenue	**347**	114	104
Total revenue	**826**	496	527
Operating expenses	**388**	365	384
Operating result	**438**	131	143
Provisioning for loan losses	**39**	(1)	73
Value adjustments to financial fixed assets	**(1)**	1	0
Operating profit before taxes	**400**	131	70
Taxes	**32**	15	7
Minority interests	**4**	9	8
Net profit	**364**	107	55
Total assets	**5,343**	7,566	7,013
Risk-weighted assets	**4,404**	5,940	6,006
Full-time equivalent staff	**4,616**	6,937	6,022
Number of branches and offices	**112**	200	194

made to New Growth Markets itself to align it more closely with the Group structure and strategy, and to exploit potential synergies more effectively. One of the most important of these changes has been the transfer to New Growth Markets of activities that were formerly part of Wholesale Clients. These units, in Singapore, Pakistan, Indonesia and the UAE, focus on consumer banking and provide good opportunities for further growth. They also benefit from the product and client expertise already available within New Growth Markets. The business in France was transferred to Private Clients, while the offshoring unit in India, ACES, was transferred to Group Shared Services. Our 80.77% stake in Bank of Asia was sold to the United Overseas Bank in Singapore as from 27 July 2004, so from that date Bank of Asia is no longer consolidated into the results of New Growth Markets.

Our strategy focuses on exploiting the expanding opportunities open to us, especially in Asia. Greater China (including Taiwan and Hong Kong) and India are large, fast-growing and profitable markets. Their attractions include rapid growth of around 9% a year in spending on personal financial services in general, continuing deregulation, the small number of well-established incumbent players, and a growing and increasingly knowledgeable population of mass affluent consumers.

So in Asia, where BU New Growth Markets has a rapidly growing business, our strategic emphasis is on servicing the mass affluent segment with specially-targeted banking products and services. Key offerings include credit cards and preferred banking, together with related products such as consumer finance – especially in India – and savings and deposit accounts. As a result of this strategy, BU New Growth Markets has almost 2.1 million clients in Asia and operations in India, Greater China, Singapore, Pakistan, Indonesia and the UAE. Our credit card offerings are well-established in India and Taiwan, and have now been launched in the UAE and Hong Kong. We also have a 40% stake in Saudi Hollandi Bank (SHB), to which we provide management services. A sign of the closeness of this relationship is that SHB is currently rolling out our preferred banking concept.

In Europe, BU New Growth Markets offers mortgage processing services via its Netherlands-based subsidiary Stater, which will include the mortgage operations of BU Netherlands and Bouwfonds as of 2005. Additionally, our Belgium-based International Diamond & Jewelry Group, with local units in a number of countries, is a leading and successful financier of the diamond and jewelry trade, with more than 2,000 client relationships worldwide.

Results in 2004

The results of BU New Growth Markets were influenced by the gain from the sale of Bank of Asia, which equally impacted revenues and net profit by EUR 213 million. The results comparison described here excludes this gain. Up to completion of the sale in July 2004, Bank of Asia had contributed EUR 60 million in revenues, EUR 43 million in operating expenses and EUR 15 million in net profit during the year. The French activities were transferred to BU Private Clients at 1 January 2004. At the same date, the Emerging Growth Markets (EGM) activities in Singapore, Indonesia, the UAE and Pakistan were transferred to BU New Growth Markets from Wholesale Clients. The EGM activities contributed EUR 110 million in revenues and EUR 29 million net profit during the year.

Adjusted for the gain of the sale of Bank of Asia, New Growth Markets revenues rose by 23.6% to EUR 613 million, primarily due to a 38% growth rate in Asia. The increase in revenues from New Growth Markets Asia reflects a better performance across all areas, with revenues up by 62% in India, 29% in Greater China and 33% in the activities that were transferred from Wholesale Clients. The number of customers in India increased by 48% to 937,000 and by 15% in Greater China to 777,000. The number of credit cards in India increased by 88% to 438,000 and in Greater China by 39% to 1,041,000.

Operating expenses rose by 6.3% to EUR 388 million, largely due to investments in various businesses in Asia to fund future growth. The number of FTEs in Greater China and India increased by 12% to 1,032 and 8% to 2,037 respectively.

This led to an improvement of 71.8% in our operating result to EUR 225 million.

Reported provisioning showed a very strong increase, mainly due to the absence in 2004

Regional credit card processing

During the past year, New Growth Markets has expanded its credit card offerings into Pakistan, Indonesia and Singapore. This continuing growth in our business is being supported by the introduction, on an outsourced basis, of a state-of-the-art shared platform to handle card issuance and processing in multiple countries from one location. This is just one element of BU New Growth Markets' continuing drive to reduce costs and increase service quality.

The platform, located in Taiwan, is provided to ABN AMRO under an agreement which replaces two previous card processing contracts in Taiwan and India. It brings substantial cost efficiencies, especially with the launch of credit cards in three new countries, and the potential migration and integration of two other contracts currently in place in the UAE and Saudi Arabia. Having a single service provider will also enable us to get improved service as well as a much better price.

The outsourcing contract is applicable – but not limited to – all New Growth Markets businesses worldwide that decide to launch credit cards. Under the agreement, ABN AMRO gains access to a specially-configured card issuance and transaction processing system capable of supporting multiple countries. The platform includes sophisticated fraud detection capabilities, together with a system for reporting transactions and statements online via SMS and internet.

Key figures Bouwfonds

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**409**	338	230
Net commissions	**19**	19	12
Results from financial transactions	**0**	0	(1)
Other revenue	**246**	190	169
Total revenue	**674**	547	410
Operating expenses	**289**	247	212
Operating result	**385**	300	198
Provisioning for loan losses	**12**	6	1
Operating profit before taxes	**373**	294	197
Taxes	**103**	98	70
Minority interests	**1**	2	2
Net profit	**269**	194	125
Total assets	**38,081**	33,872	24,449
Risk-weighted assets	**22,599**	19,704	14,697
Full-time equivalent staff	**1,608**	1,499	1,357
Number of branches and offices	**34**	27	25

of the release of provisioning in Bank of Asia reported in 2003.

Net profit improved significantly by 41.1% to EUR 151 million, of which EUR 80 million was generated by our Asian activities.

Initiatives in 2005

BU New Growth Markets will continue to pursue consumer banking growth opportunities in Asia, concentrating on organic expansion of our business in India, Taiwan, Singapore, Pakistan, Indonesia, the UAE and the People's Republic of China in anticipation of the easing of regulatory restrictions. During the year, new branches are planned to be opened in India and the People's Republic of China, and we will launch credit cards in Pakistan, Indonesia and Singapore. Acquisitions may also play a part in enabling us to achieve our ambition of becoming one of the leading consumer banks in Asia.

Bouwfonds

Bouwfonds is the Netherlands' largest real estate project developer by volume. It is also a major provider of residential mortgages and a property financing company with international reach and profile.

Strategy, products and services

The company's strategy is to continue to be the leader in the Dutch residential home development market and to expand in other European markets in residential and commercial property development. In residential mortgages, the strategy is to increase market share through continuous product innovation supported by outstanding operational efficiency. Bouwfonds also aims to expand its property finance activities both in the Netherlands and beyond. In addition, the company intends to grow its property-related asset management products and services aimed at private and institutional investors.

By 2010 Bouwfonds aims to be a leading European property company with an above-average return compared to its peers in the sector.

In property development, Bouwfonds' main activity is in the development of owneroccupied homes, a sector in which it is market leader in the Netherlands, with sales of over 7,000 homes in 2004. At the same time, Bouwfonds sold more than 2,000 homes in France (not only to occupants but also to investors) and just under 400 in Germany. Large-scale residential greenfield projects are an important part of Bouwfonds' portfolio in the Netherlands, but the focus is gradually shifting to inner-city, mixed-use projects. In commercial property development, Bouwfonds has traditionally been active in offices and retail projects. Here, the focus is also shifting to mixed-use inner-city projects, which was one of the main considerations behind the acquisition of the specialised commercial developer MAB in 2004.

In residential mortgages, Bouwfonds sells its products through independent intermediaries. It also sells mortgages under third-party labels for insurance companies and chains of intermediaries. Bouwfonds does not operate any sales offices of its own, and direct sales are restricted to the internet mortgage product (MoneYou), which represents only a fraction of total production. For a number of years in succession, Bouwfonds has been recognised in an annual poll by the Dutch intermediaries as one of the best suppliers of mortgages.

In property 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 property.

In asset management, Bouwfonds provides investment products to both institutional and private investors, based on property portfolios.

Results in 2004

Bouwfonds reported a 23.2% rise in revenues, due to strong performances in its mortgage, property finance and property development activities.

Net interest revenue increased by EUR 71 million to EUR 409 million, driven by growth in both the residential mortgage portfolio and the property finance portfolio, as well as improved margins in residential mortgages. The continued favourable interest rate environment had a positive effect on margins, and on production through higher levels of refinancing.

As a result of higher income from property development activities, other revenues rose 29.5% to EUR 246 million. This improvement was mainly driven by an increase in the sale of residential properties in the Netherlands and the realisation of profit on a commercial development project in Belgium.

Operating expenses were up EUR 42 million or 17.0% due to higher administrative expenses and to higher staff costs. The higher staff costs were due to a rise in FTEs to support the growth of the business and to higher bonuses resulting from the improved performance. The rise in administrative expenses was related to higher costs for information technology and costs related to special projects such as the implementation of Basel II.

Acquisition reinforces position in property development

Bouwfonds turned in a strong performance in 2004, with net profit at an all-time high of EUR 269 million. Though 78% of its pre-tax income came from financing activities, property development activities saw their contribution rise from 20% in the previous year to 22% in 2004. Bouwfonds' strategic position in this activity (still largely based on a very strong position in the Dutch residential market) was greatly reinforced by the acquisition of MAB, a commercial property developer with a unique reputation in large-scale, mixed-use inner-city projects both in the Netherlands and in a number of other European countries.

The operating result improved by 28.3% to EUR 385 million. The efficiency ratio improved from 45.2% in 2003 to 42.9%. RWA rose 14.7% to EUR 22.6 billion as a result of the strong growth in the mortgage and property finance portfolios. This was partly due to the acquisition of a loan portfolio from Staal Bankiers.

In combination with increased provisioning and a lower effective tax rate, net profit increased 38.7% to EUR 269 million.

Initiatives in 2005

During 2005 we will complete the integration of the commercial property developer MAB, which was acquired in November 2004. At the same time we will conduct a number of studies into the potential for further expansion in Europe of all Bouwfonds' activities, including property development, property finance, residential mortgages and asset management.

In residential mortgages, we will continue to focus on product innovation, supported by continuing improvements in efficiency. In asset management, Bouwfonds expects to expand its range of offerings significantly, based on the current pipeline. Finally, we will build closer cooperation between property finance, asset management and the relevant ABN AMRO Wholesale Clients teams, in order to enable us to offer improved real estate-based structured finance solutions to Bouwfonds' clientele.

Under the agreement to acquire Bouwfonds, the bank also had an option to acquire 100% of Bouwfonds' preference shares as from 31 December 2004. ABN AMRO has decided to exercise this option per 1 April 2005.

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

Wholesale Clients

Key figures SBU Wholesale Clients

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**1,598**	1,906	2,115
Net commissions	**1,776**	1,826	1,866
Results from financial transactions	**1,723**	1,372	1,092
Other revenue	**277**	189	223
Total revenue	**5,374**	5,293	5,296
Operating expenses 1	**4,827**	4,389	4,874
Operating result	**547**	904	422
Provisioning for loan losses	**36**	399	742
Value adjustments to financial fixed assets	**4**	2	4
Operating profit before taxes	**507**	503	(324)
Taxes 1	**(3)**	108	(42)
Minority interests	**19**	8	12
Net profit	**491**	387	(294)
Total assets	**313,282**	249,865	238,703
Risk-weighted assets	**73,638**	61,554	67,236
Full-time equivalent staff	**17,481**	17,624	20,238
Number of branches and offices	**190**	145	142

1 *2002, adjusted to include extraordinary items*

The SBU Wholesale Clients is a corporate and investment bank operating worldwide. Our ambition at Wholesale Clients is to increase our revenues through a combination of strong client focus, global reach, integrated product range and high quality of service, enabling us to provide a world-class offering.

Wholesale Clients offers clients a wide-ranging product and service platform, including advisory, capital markets, financing and transaction banking in nearly 50 countries. Our product spectrum and global reach differentiate us from our competitors. We are able to offer our clients local advisors with access to global market-leading expertise in every continent. The integration of our strong structured debt and transaction banking offerings – including cash & payments, payroll and trade finance – with our other corporate and investment banking products allows Wholesale Clients to offer a unique product proposition to our clients.

Wholesale Clients is organised into three BUs – Global Clients and Global Markets, which are both client-facing, and Wholesale Clients Services, which provides support. These BUs work in close collaboration to put our client-led strategy into effect, by delivering the appropriate mix of product and advice required by each of our clients.

Wholesale Clients operates as an integrated wholesale unit with an emphasis on Europe, where we have particular critical mass in terms of clients, coverage and execution.

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

Whatever the size and nature of our clients' businesses, we provide all of them with seamlessly integrated solutions by pooling three key elements – our understanding of our clients' objectives, our deep product expertise and the bank's global reach.

Strategy, products and services

In 2004 Wholesale Clients refined its strategy in order to improve its performance, secure its sources of future growth and align Wholesale Clients more closely with the overall Group strategy. Supported by the Managing Board, Wholesale Clients identified key value drivers for its business, rationalised the organisational structure and revised its resourcing requirements.

To support the execution of this new strategy, the organisational structure of Wholesale Clients has been rationalised from seven BUs down to three. The aim of this simplified structure is to allow client-facing staff to focus on revenue generation, increase cross-sell by bringing a greater variety of products and skills under one umbrella, and reduce the duplication of administrative activities in each BU.

As a consequence of this organisational rationalisation, Wholesale Clients revised its resourcing requirements. In December 2004, we announced that 1,350 employees will be made redundant during the course of 2005. In addition, we are hiring 250 people to provide us with the expertise necessary to grow the business. This renewal of our skills base will enable our refined client-led strategy to drive a step change in our performance.

Global Clients BU

Our Global Clients BU provides our clients with comprehensive solutions to their needs by bringing together several key capabilities and perspectives. These include our targeted sector focus on clients, our product delivery and expertise around our Corporate Finance and advisory units, and our capital markets businesses, which are Equity Capital Markets (through our joint venture ABN AMRO Rothschild) and Fixed Income.

Our sector approach recognises two broad categories of client – Corporates, and Financial Institutions & Public Sector (FIPS). Each category is supported by centres of excellence with specialists able to deliver market-leading expertise to clients wherever they are.

The Corporates segment serves our clients in telecommunications, media, technology, healthcare & chemicals, integrated energy, consumer, general manufacturing and industrials.

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

Corporate Finance plays an integral role in building and sustaining the broad-based and integrated relationships that ABN AMRO develops with its clients. We provide strategic financial advice on mergers and acquisitions, including divestitures, spin-offs, strategic alliances and other corporate restructurings, underpinned by deep understanding and experience of local conditions.

Global Markets BU

The Global Markets BU brings together all of our capital markets, financing and transaction banking products in order to improve the opportunities for cross-selling. Product expertise is concentrated in the following areas: Fixed Income; FX & Futures; Commercial Banking; and Equities. Through these product areas we offer our corporate and institutional clients integrated solutions that combine our foreign exchange, money market and derivatives risk management services, futures broking and clearing services, traditional debt financing, cash management and trade financing services, as well as our specialised capital raising and structured finance debt solutions. These product offerings are backed by a strong research capability and a presence in nearly 50 countries.

In 2004 Wholesale Clients was bookrunner on international bonds worth more than USD 100 billion and ranked third in euro-denominated bond issuance (first for those issued by financial institutions) (*Thomson Financial/IFR*). Wholesale Clients also excelled in other products and won a multitude of awards, including best project finance house (*The Asset*), innovation of the year (*IFR*) and deal of the year for a debt issue for the European Investment Bank (*Euroweek*). In addition, in a poll of investors on the best liquidity providers, we came out as the best provider for asset-backed securities (*Euromoney*).

We provide equities services in both primary and secondary markets. We are one of the leading houses in Europe and are particularly strong in the UK (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. Extel ranked Wholesale Clients fifth in Europe in 2004 (up from seventh in 2003) and our ECM European market share grew by 13% in 2004. Our unique position in these highly competitive markets is supported and strengthened by our powerful distribution capabilities across Europe.

Private Equity

Private Equity operates under the name ABN AMRO Capital. It is an international network of private equity teams and one of Europe's leading private equity providers, focusing on the mid-sized buyout market. As of 2005, Private Equity will be excluded from Wholesale Clients and will report its results separately, driven by the wish to provide greater clarity on the results, as well as by compliance and IFRS developments.

USD 1.25 billion Structured Export Note issue for Gazprom

Wholesale Clients was joint bookrunner on a USD 1.25 billion Structured Export Note issue for Gazprom secured against the future flow of receivables from gas export contracts. Our structured capital markets and specialised gas sector coverage teams worked closely with Gazprom to create an innovative structure that mitigated key credit risks. As a result, this was the first ever Russian bond to receive investment grade ratings from two rating agencies, enabling Gazprom to access a new investor base. The issue was so heavily oversubscribed that Gazprom was able to increase its size by 25% and still achieve a price of 140 basis points inside its existing unsecured yield curve.

This transaction also brought opportunities for Wholesale Clients to cross-sell services from across the Group: ABN AMRO Bank (Luxembourg) acted as the fiduciary, account bank and foreign exchange bank, ABN AMRO Trustee Company Luxembourg acted as domiciliation and management agent for the issuing vehicle, and ABN AMRO Trustees acted as note holder trustee for the notes issue.

Global Network

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

Services

Wholesale Clients Services provides a vital infrastructure platform for both the Global Clients BU and the Global Markets BU. It also partners with the BUs to help them provide optimal client service. The regulatory environment demands ever-increasing control over banking activities. Wholesale Clients Services plays a pivotal role in enabling us to meet this requirement, and is also continually assessing opportunities to leverage resources and skills across the entire support function.

Results in 2004

The financial results of Wholesale Clients were significantly affected by the non-recurring charge. This impacted operating expenses by EUR 381 million, of which EUR 275 million related to the restructuring of our SBU and the remaining EUR 106 million to the restructuring carried out by Group Shared Services. The impact on net profit amounted to EUR 271 million.

Total revenue rose 1.5% to EUR 5,374 million in 2004. This increase was mainly driven by revenue growth of Private Equity and Equities, as a result of improved market conditions and client activity.

Operating expenses increased at a lower rate than our revenues, namely 1.3%. The increase was largely due to the increased bonus accruals, reflecting the improved result.

As a result of the above, the operating result of SBU Wholesale Clients increased by 2.7% to EUR 928 million.

Our provisioning decreased significantly from EUR 399 million to EUR 36 million due to the improvement of the quality of the loan portfolio and releases and recoveries. As a percentage of RWA, provisioning amounted to 5 bps in 2004, down from 59 bps in 2003.

Our effective tax rate came down to 12.0% from 21.5% in 2003, primarily driven by the tax free exit gains of Private Equity and tax reliefs in several jurisdictions.

Net profit increased significantly by 96.9% to EUR 762 million in 2004.

Due to the growth of our loan portfolio, and the termination of two securitisation vehicles at the beginning of 2004, RWA increased by EUR 12.0 billion to EUR 73.6 billion.

Initiatives in 2005

Our strategic initiatives in 2005 will focus on a small number of selected key value drivers. These will include driving up productivity in the front-office, improving the degree of leverage we achieve from our global network, and transforming our derivatives product offering.

Private Clients

Key figures BU Private Clients

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**416**	367	363
Net commissions	**531**	457	417
Results from financial transactions	**44**	42	45
Other revenue	**101**	71	69
Total revenue	**1,092**	937	894
Operating expenses	**853**	752	673
Operating result	**239**	185	221
Provisioning for loan losses	**0**	9	14
Operating profit before taxes	**239**	176	207
Taxes	**67**	39	61
Minority interests	**6**	0	1
Net profit	**166**	137	145
Total assets	**17,802**	16,143	16,134
Risk-weighted assets	**7,168**	6,027	6,104
Full-time equivalent staff	**3,980**	3,877	4,004
Number of branches and offices	**82**	87	84

The BU Private Clients offers private banking services to wealthy individuals and families with investable assets of EUR 1 million or more. Private Clients has a top ten position in private banking worldwide, and is the fifth biggest private bank in Europe in terms of assets under administration (AuA), with year-end AuA in 2004 of EUR 115 billion, up from EUR 102 billion in 2003.

Net new assets in the Netherlands and France – gained in France through our local brands Banque de Neuflize and Banque OBC – have strengthened our top-three market position in these two major European countries.

In 2003 we announced the acquisition of Bethmann Maffei, a private bank whose origins date back to 1748 and which is based in southern Germany. This transaction was completed in the first quarter of 2004 and has reinforced our position in the German market. Bethmann Maffei was successfully merged with Delbrück & Co, another very well-established German private bank which we acquired in 2002, to form Delbrück Bethmann Maffei.

Our operations in Luxembourg, Switzerland, Latin America and the Middle East continued to deliver solid results in spite of the relative mature European market, the poor performance of the financial markets during the year, and the weakening of the US dollar against the euro.

Strategy, products and services

Client satisfaction is key to our success, and our clients vary greatly – as do their needs. So we have created a segmented private banking offering consisting of well-defined services tailored specifically to the requirements of our client segments and their sources of wealth. Under this approach, the scope and depth of our services vary in line with the size and complexity of the individual client's needs. Our services range from a comprehensive service model offering completely tailor-made services at the top end through to a relationship manager-based advisory model, which combines unique product/service offerings adjoined with selective standardised services suited to the particular client groups' needs, and finally to a call centre setup for other/smaller client groups.

Private Clients' product offerings are based on 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 client groups. Our growing use of call centres to service smaller clients is helping us to deliver products and services more effectively to this client segment.

A distinguishing feature of our European private banking strategy has been our ability to nourish local brands while giving them the support of a strong international institution. Our corporate rebranding took account of the fact that clients have great confidence in their local brands. As a result we seek to maintain that local trust while placing more emphasis on the resources and solidity of the Group as a whole.

Private Clients has also achieved impressive results from the client intimacy model first implemented in the Netherlands, and now plans to transfer this model and/or related best practices to other Private Client locations around the world. The client intimacy model's main objective is to increase the alignment between the clients' various business partners within ABN AMRO, and also the alignment of our internal business/operational processes to the individual client and/or client groups' requirements.

Results in 2004

The results comparison below excludes the restructuring charge related to Group Shared Services, which influenced operating expenses by EUR 56 million and net profit by EUR 36 million.

Private Clients' revenue increased by 16.5% to EUR 1,092 million. The increase in revenue and profit was driven primarily by the consolidation of Bethmann Maffei, and strong growth across nearly all geographic areas.

Coming together: integrating Delbrück Bethmann Maffei and ABN AMRO

In preparation for the merger between Delbrück and Bethmann Maffei in early 2004, we launched a migration project called 'JOIN us'. Its aim was to consolidate the businesses of both banks into a newly-designed business and support environment, speed their integration, and ensure that the new bank – Delbrück Bethmann Maffei – would realise operational synergies from day one.

The merger blended four different cultures, since Delbrück had recently integrated ABN AMRO's private banking business in Germany, and Maffei had combined with Bethmann. The 'JOIN us' project was launched in February 2004 with an integration team drawn from both banks, enabling sharing of valuable knowledge, experience and processes.

A communications team was formed to keep all staff and clients informed about the merger and its advantages. This team coordinated initiatives including regular internal presentations and intranet-based news bulletins, a monthly booklet for all employees, and a series of offsite team-building activities. Meanwhile, client intimacy and employee engagement projects helped to keep clients and personnel comfortable throughout the transition.

After a successful dress rehearsal, 'JOIN us' went live on 1 November 2004. The benefits of 'JOIN us' are continuing post-merger, with Delbrück Bethmann Maffei relationship managers benefiting from uniform front-office and support systems, helping them deliver high-quality service to clients.

Operating expenses increased by 6.0% to EUR 797 million in 2004, driven by the consolidation of Bethmann Maffei and organic growth. Consequently, the operating result increased by 59.5% to EUR 295 million. Provisions declined on account of strong loan administration, especially in the Netherlands and France.

The efficiency ratio improved from 80.3% in 2003 to 73.0% in 2004, mainly due to positive developments in the Netherlands and in France.

Net profit increased by 47.4% to EUR 202 million.

Our 12.7% increase in AuA to EUR 115 billion is a result of the inclusion of Bethmann Maffei, and of an increase in net new assets and higher net asset values due to improved financial markets. The asset mix remained fairly stable, with 67% in securities and 33% in cash.

Initiatives in 2005

Europe is at the heart of our growth strategy, and client engagement will continue to be the key to our future growth. In 2005 we will build on this basic approach by rolling out the Client Intimacy Model, continuing to strengthen the sales force and enhancing the key drivers of employee engagement. These initiatives will be complemented by a drive to exploit synergies with other BUs across ABN AMRO in areas such as client migration (clients moving between ABN AMRO products and services), product development and distribution, and possibly through highly-targeted acquisitions in important European markets.

Asset Management

Key figures BU Asset Management

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**4**	4	6
Net commissions	**535**	480	515
Results from financial transactions	**12**	5	(3)
Other revenue	**44**	7	11
Total revenue	**595**	496	529
Operating expenses	**442**	396	421
Operating result	**153**	100	108
Provisioning for loan losses	**0**	0	(1)
Value adjustments to financial fixed assets	**0**	(1)	1
Operating profit before taxes	**153**	101	108
Taxes	**41**	29	35
Minority interests	**8**	4	1
Net profit	**104**	68	72
Total assets	**958**	911	866
Risk-weighted assets	**1,190**	695	647
Full-time equivalent staff	**1,919**	2,124	2,175
Number of branches and offices	**31**	34	32

ABN AMRO has a global asset management business with EUR 161 billion in specialist mandates and mutual funds. We operate in more than 20 countries across Europe, the Americas, Asia and Australia. Global portfolio management centres are concentrated in six centres: Amsterdam, Atlanta, Chicago, Hong Kong, London and Singapore. We offer investment products in all major regions and asset classes, using an active investment style. Our investment philosophy is characterised by an internationally coordinated investment process and well-monitored risk management.

Asset Management's products are distributed directly to institutional clients such as central banks, pension funds, insurance companies and leading charities. Our funds for private investors are distributed through ABN AMRO's consumer and private banking arms, as well as via third-party distributors. Our institutional client business represents just over half of the assets managed, the fund business accounts for a further 47%, and the remainder is in discretionary portfolios managed for Private Clients.

ABN AMRO Trust provides professional management and trust services to a global client base from centres around the world, applying very high compliance and risk management standards. During 2004 we announced the intention to divest our Trust business to Equity Trust, in line with our strategy of concentrating on our core activities. This divestment is expected to be completed in 2005. We also sold our Czech Pension Fund & Asset Manager and our Chicago-based 401K business.

Strategy, products and services

In 2004 we have refocused our business around the target groups mentioned above. This reflects our commitment to putting client focus at the heart of every decision.

Asset Management launched a back-office outsourcing programme in Europe in partnership with State Street. This initiative supports our strategic objective of managing

India fund launch takes the market by storm

ABN AMRO Asset Management in India was responsible for the largest fund launch India has ever had. It introduced four new funds, raising EUR 450 million in the initial public offerings. The maiden launch of the four funds in August 2004, concluded in September, received an overwhelming response from both retail and institutional investors across India. The four new funds included an equity fund, a monthly income plan, a dynamic debt fund and a floating rate fund.

costs effectively and achieving significant cost reductions in our business. We also started a programme to rationalise product capabilities which were previously overlapping.

Similarly, we have focused our regional offering on specific territories and limited our presence to markets where we have meaningful market share and competitive advantage. As a result of this refocusing, we announced the divestment of our Trust business and de-emphasised the Argentine and Czech markets in 2004.

Results in 2004

Asset Management's revenue in 2004 rose by 20.0% to EUR 595 million. An overall improvement in market performance and a shift towards higher-margin products led to higher net commissions, which make up the majority of Asset Management's revenue. Net commissions rose by 11.5% to EUR 535 million. This growth was achieved despite a significant US dollar revenue stream and further depreciation of the US dollar against the euro. Other revenues increased among others by the gain of the sale of the 401K business, which impacted revenues by EUR 16 million and net profit by EUR 10 million.

On the costs side, Asset Management's operating expenses increased by EUR 46 million or 11.6% to EUR 442 million. This increase was driven by higher remuneration related to the better performance. Administrative expenses also increased as a result of charges associated with several special projects such as the incorporation of BU Asset Management in a separate holding company, efficiency improvement measures, and the discontinuation of the asset management operations in Argentina.

Operating profit grew strongly by 53.0% to EUR 153 million, and net profit increased by 52.9% to EUR 104 million. Our efficiency ratio improved by 5.5 percentage-points to 74.3%.

Initiatives in 2005

We will remain committed to our private, retail and institutional clients, and 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 focus primarily on organic growth, although we will consider bolt-on acquisitions where appropriate.

In 2005 we will continue to build our position in selected markets to realise the full benefits of our global presence. This involves focusing resources on those markets that can meaningfully contribute to the solid growth of our business, such as the US, the Netherlands, Brazil, Germany, the UK, Greater China, France, Italy, Dubai and India. We will also further build on our leading position in Europe as an institutional fund manager. In North America we hold a strong position in the institutional equity business and we will increase our activities in that market.

Our product strategy will focus around specific client needs and innovative solutions. We remain committed to the investment styles that reflect our existing embedded capabilities, but will add other styles to better meet the requirements of various types of clients, especially retail and private clients.

Transaction Banking Group

In November 2004 we announced the formation – as from 1 January 2005 – of the Transaction Banking Group, a shared product organisation covering payments and trade. This new group unites all ABN AMRO's payments and trade business globally across the retail, private clients, commercial and wholesale markets, coordinating product management and development in all these areas. The specific areas that Transaction Banking Group will be managing include Pricing, Bundling, Infrastructure and Investment, Product Development, Operational Risk Control and Client Service.

Sales functions for Transaction Banking products will remain part of the client organisations within the bank, while operational activities for payments and trade will be part of Group Shared Services. The Transaction Banking Group Governance Board, which will include representation from all businesses, will ensure that coordination with the client-facing and operational units is maintained.

As well as allowing us to transfer ideas across markets, the Transaction Banking Group can build global product components for us to combine into tailored solutions for our wholesale clients and for clients in our home markets in the Netherlands, Brazil and the US Midwest. The BU New Growth Markets also benefits from this product capability.

The Transaction Banking Group brings ABN AMRO the economies of scale necessary for profitable growth in this highly competitive area. The Group has a pivotal role to play in our client-focused strategy while creating a platform for cross-selling other products. Furthermore, the new organisation will bring major benefits in technology by eliminating duplication of effort and investment, and by working closely with Group Shared Services to adopt global best practice and maximise operational efficiency and customer service.

The new group has been created at a time when transaction banking is changing fast. Customers are becoming more sophisticated and demanding, regulation is intensifying, and new non-bank players are disintermediating the payments business. In this challenging environment few banks can compete globally. By bringing together the substantial commercial and retail businesses of our BUs North America, Brazil and Netherlands with our wholesale franchise, we have created the scale to compete with other global players.

The creation of the Transaction Banking Group reflects our assessment of wider trends. We believe global trade will continue to increase. As it does so, we want to provide services not only to our multinational and global clients, but also to small and medium-sized enterprises which are starting to export to new markets and source from new suppliers. Advancing technology will bring us continuing opportunities to improve the customer experience in retail, private client, commercial and multinational markets. We anticipate increasing cross-fertilisation of solutions between these various client segments and within segments across geographies.
As these global trends reshape transaction banking, the only viable option for many regional and local banks is to seek partners to help them provide these services. These banks want to follow their clients as they expand internationally, so they are especially eager to find partners for cross-border payments and trade. ABN AMRO is well-placed to provide these regional and local banks with the correspondent and insourcing services they need.

The Transaction Banking Group will be headquartered in Chicago, enabling it to capitalise on our technology platform in LaSalle Bank and exploit ongoing innovation in the North American markets. However, as a global organisation, its management team members are located in various centres of excellence across the ABN AMRO network.

Group Shared Services

Our shared agenda for all services

Our commitment to developing and implementing services shared by (S)BUs across the Group is driven by our collaboratively-set 'shared agenda'. This agenda focuses on four objectives, allowing the bank to manage more actively the priorities and dependencies that exist between (S)BU services initiatives.

ABN AMRO's shared agenda focuses on four objectives:

1 *Improved service quality* to better support the front-office in delivering its products and to help to increase client satisfaction

2 *Creating value through increased efficiencies* to release funds that can be reinvested in activities that will drive growth

3 *Sharper management of operational risk* to reduce capital tied up in operations, releasing funds for re-investment in growth opportunities

4 *Increased agility* to reduce time-to-market and be able to better adapt to front-office needs and market dynamics.

The bank's Group Head of Services is responsible for executing this agenda, in order to achieve the desired quality and efficiency savings within services throughout the bank. The Group Head of Services coordinates the design, development and delivery of services across the Group in close cooperation with the Chief Operating Officer (COO) Committee. Alignment with the bank's business goals is achieved through the representation of the Group Head of Services on the Group Business Team, which consists of the Managing Board plus all (S)BU CEOs.

Our implementation of the shared agenda began in earnest with the formation of Group Shared Services (GSS) in January 2004. In November 2004 we took a second major step along the road towards fulfilling our shared agenda by creating Group Services, which now guides all services across the bank, including Group Shared Services. Group Services' wider scope, in combination with the COO Committee's oversight of our shared agenda, delivers many ongoing benefits across the Group, including our stated intention to deliver at least EUR 600 million a year of sustainable savings from 2007 onwards.

By driving further efficiencies in our services community while continuing to focus on improving service quality, Group Shared Services is also able to free up substantial resources which can then be invested in growing the bank's business, thereby providing the 'fuel' to drive sustainable growth.

Shared Service Units & Action Tracks

GSS IT

GSS IT aims to optimise group-wide technology services and delivery within the bank. During 2004 it continued to develop an operating model and sourcing strategy to provide a global technology service bank-wide, looking at a number of alternative delivery and sourcing strategies including in-house consolidation, partial outsourcing, multi-vendor strategies and offshoring.

ABN AMRO Central Enterprise Services (ACES) & Offshoring Centre of Expertise

ACES is a wholly-owned subsidiary based in India. It supports the (S)BUs by pursuing opportunities to improve cost effectiveness, service quality and operational productivity. ACES now employs more than 2,000 employees, and the leading-edge capability built up within ACES provides ABN AMRO with a delivery vehicle offering the (S)BUs tremendous operational agility. Through ACES a wide variety of processes are being optimised related to – among others – deposit, loan & derivates processing, call


MORE

centres, human resources, finance and cross-border payments, and equity research production.

ACES has also become an insourcing hub for financial institutions looking for ways to grow revenues, cut costs, avoid significant investments and mitigate risks. Through the Alliance Solutions Group we are working with banks and other financial institutions to provide them with various outsourcing solutions. ACES is a critical part in delivering these solutions to help them meet their strategic needs.

The Offshoring Centre of Expertise enhances the knowledge, expertise and experience within ABN AMRO on process offshoring. It helps the (S)BUs to identify offshoring opportunities and assists in the setting-up of mobilisation activities, including funding and coordinating delivery across various (S)BU programmes.

Global Corporate Functions

Global Corporate Functions includes Global Procurement, Group Real Estate and Facilities Management, Information Management, Policy & Risk Control Management and HR Services. Its mission is to combine global and local expertise, realise worldwide synergies and create high-quality partnerships with internal clients, in order to provide best-in-class solutions that contribute to ABN AMRO's business performance.

HR Transformation Programme

In 2004, the global HR Transformation Programme was launched. The aim of the programme is to create a partnership between HR and the business to provide seamless, high-quality and efficient HR delivery and support, together with specialised HR capabilities. It will deliver a number of changes to our HR organisation including how HR is structured, how it carries out its activities and the technology it uses.

External Awards for Group Shared Services in 2004

ACES

Our Cash Flow Advisory Operations Transformation programme was awarded the 'Most Successful Offshoring Operation' prize for 2004 by The National Outsourcing Association, the leading European Industry Group for outsourcing and offshoring. ACES has played a pivotal role in the success of this Transformation Programme.

Global Corporate Functions

GCF's Group Real Estate and Facilities Management won the 'Occupancy Management Award' for 2004 from the UK's Royal Institute of Chartered Surveyors, as well as the CoreNet 'Global Sustainable Leadership Award for Design and Development'.

European Payments Centre

European Payments Centre delivers services to all clients of ABN AMRO and is responsible for the processing of domestic and cross-border payments (incoming and outgoing), cheque handling, and complaints handling related to payment transactions. It handles these tasks in an efficient, measured and transparent way through a 'client first' service mentality, low-cost production processes, high service quality and continuous innovation, while retaining acceptable levels of operational risk.

LeasePlan Corporation

On 4 November 2004 ABN AMRO completed the sale of all shares in LeasePlan Corporation to a consortium consisting of the Volkswagen Group (50%), Olayan Investments Company Establishment (25%) and Mubadala Development Company (25%). ABN AMRO's decision to sell LeasePlan Corporation reflects the bank's strategic commitment to focus on its core activities.

LeasePlan Corporation – with LeasePlan as its principal brand – is the European market leader in fleet management and a leading global player in automotive services, with offices in 26 countries. The company employs more than 7,100 people throughout the world, managing a total of 1.25 million vehicles and a consolidated lease portfolio of EUR 10.4 billion at year-end 2004. LeasePlan Corporation was deconsolidated as from 1 November 2004. Up to that date, it reported revenues of EUR 691 million and a net profit of EUR 154 million compared with EUR 813 million and EUR 192 million respectively in the full year 2003.

Under its new ownership, LeasePlan Corporation will continue its existing strategy and maintain its neutral and brand independent positioning in the market. The company continues to aim for leadership in all the main markets, and is keeping opportunities for expansion in new countries under constant review. Its ambition is to provide value-added services to customers in all segments of the automotive value chain.

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

Group Functions

Key figures Group Functions and Group Shared Services

(in millions of euros)	**2004**	2003	2002
Net interest revenue	**429**	308	241
Net commissions	**1**	(5)	5
Results from financial transactions	**336**	332	117
Other revenue	**1,000**	33	106
Total revenue	**1,766**	668	469
Operating expenses	**326**	32	(19)
Operating result	**1,440**	636	488
Provisioning for loan losses	**22**	41	41
Value adjustments to financial fixed assets	**(1)**	12	36
Operating profit before taxes	**1,419**	583	411
Taxes	**109**	179	108
Minority interests	**188**	215	173
Net profit	**1,122**	189	130
Total assets	**60,167**	61,835	61,447
Risk-weighted assets	**3,656**	3,950	2,885
Full-time equivalent staff	**3,867**	1,986	744
Number of branches and offices	**–**	–	6

Group Functions provides guidance on ABN AMRO's corporate strategy and supports its implementation in accordance with our MfV principles, Corporate Values and Business Principles. By aligning and uniting functions across ABN AMRO's (S)BUs and geographical territories, Group Functions also facilitates group-wide sharing of best practice and innovation, and binds the company together in both an operational and cultural sense.

Strategy, products and services

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

This translates into three roles:

- *Governance:* Group Functions 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:* Group Functions adds value by assisting in the execution of the Managing Board's strategic guidance. It designs, implements and monitors the standards and policies within which the (S)BUs work. It also monitors performance targets and progress towards reaching them, and provides expert advice and assistance in key areas
- *Service provision:* Group Functions facilitates and exploits cross-(S)BU synergies by providing support services in defined business areas for the Group, in close cooperation with the (S)BUs.

In 2005, the activities listed over the page will be grouped into Group Functions, while the Corporate Centre as a separate organisational entity will no longer exist. Group Functions will be managed in a more integrated way, and the links to the business will be strengthened through a greater focus on (internal) client satisfaction.

Group Functions carries out the following activities:

- *Corporate Development:* advises the Managing Board on the development of Group strategy, including identification, analysis and development of mergers and acquisitions, as well as the composition of the portfolio of Group businesses from a strategic perspective
- *Corporate Communications:* manages external and internal communications, press relations and sponsoring, and manages the bank's brand
- *Investor Relations:* our window to the investment community; provides transparent communication towards investors and serves as their point of contact; increases awareness internally about the investors' perception and valuation of the Group's strategy, activities and results
- *Group Audit:* assesses and advises on the adequacy of internal controls through independent audits
- *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 function 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; monitors the overall financial position; prepares internal and external financial reporting
- *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 (S)BUs, including a bank-wide centralised HR framework
- *Group Legal:* sets policies for legal risk management, renders internal legal services, including litigation
- *Group Compliance:* manages the independent compliance function across the bank, manages regulatory affairs
- *Group Risk Management:* develops and approves high-level risk policy, approves risk exposures, manages inter-(S)BU risk issues and conducts daily management of all independent risk functions for Wholesale Clients
- *European Union Affairs & Market Infrastructure:* represents ABN AMRO's interests through the EU and The Hague Liaison Offices and links market infrastructure developments in the payments and securities industry with the internal strategy development
- *Economics Department:* produces research to support policy and strategy, contributes to the risk management of the bank, and provides economic and sectoral information, analyses and forecasts.

In addition, Group Functions includes the financial performance of our activities in other countries, including our operations in Italy, where we have a 9.0% stake in Capitalia and 12.7% in Banca Antonveneta, and our 40% stake in Kereskedelmi és Hitelbank in Hungary.

Results in 2004

The results of Group Functions and Group Shared Services are reported together in 2004. In the analysis below, the numbers exclude the gain from the sale of LeasePlan Corporation (EUR 838 million revenues and EUR 844 million in net profit) and the expected cost of buying off the 2005 profit sharing arrangements under our anticipated new collective labour agreement currently being negotiated for the Netherlands, which impacted operating result by EUR 177 million and net profit by EUR 117 million.

Net profit more than doubled from EUR 189 million to EUR 395 million in 2004. This improvement was due to higher revenues and lower provisioning, and was achieved despite increased operating expenses.

Revenues increased by 38.9% to EUR 928 million in 2004. This increase was mainly the result of a 39.3% increase of net interest revenues due to higher results of Asset and Liability Management, the gain on the sale of our stake in Bank of Austria (EUR 115 million) and results from our stakes in Italy.

Partly due to the start-up expenses of Group Shared Services, expenses increased from EUR 32 million to EUR 149 million.

These factors led to a 22.5% increase in our operating result to EUR 779 million.

Due to the absence of the 2003 provision for sovereign risk on Argentina in 2004, provisioning decreased by 46.3% to EUR 22 million. Taxes remained stable in 2004.

Initiatives in 2005

The strategic agenda for 2005 is shaped by the need to respond to internal drivers such as improved quality and efficiency, as well as external drivers including increased regulatory demands and the need for good corporate governance. A number of essential initiatives will be pursued in 2005. These will focus on:

- Ensuring regulatory compliance with the Sarbanes-Oxley Act, section 404, and preparation for Basel II
- Greater standardisation of the overall Management Information System infrastructure
- Upgrading the compliance function to maintain good corporate governance standards and manage risk.

Human Resources

For us to realise our strategy, all our clients must receive excellent service from highly motivated and engaged people. Therefore we need to maintain our high standards in recruiting, developing and retaining talent. To achieve this, we must keep demonstrating our commitment to our people, create a high performance culture, and build world-class leadership.

In 2003 we analysed the leadership climate and styles among our top executive group, and used the resulting findings and feedback to help them refine their leadership skills. In 2004 we extended this programme to include more of our senior executives.

Also in 2004 we launched a Talent Review of our top executives to further develop their leadership effectiveness and to identify our high performers with high potential. These efforts support our structured succession planning process, which reaches from the Managing Board downwards. To select successors for senior management positions, we assess our staff on criteria including personal ambition, leadership potential and adherence to Corporate Values.

In our Talent Review programme, we use specialist external professionals to help us assess the potential of our top executives and benchmark ourselves against other companies with world-class leadership. This process provides us with objective data for discussions with individuals about their current and future development as leaders.

We can only realise the full benefits of initiatives such as the Talent Review and our rigorous succession planning through a high performance culture. We constantly stretch and stimulate our employees and our organisation to retain the right people and to attract the best new people.

We improved our performance management processes still further in 2004, because sound and effective performance management underpins our performance culture and creates the focus to grow our business. This requires clear alignment between personal and business objectives, and between the objectives in different business areas. The other side of performance management is performance assessment – and in 2004 we took steps to distinguish genuinely high performance even more clearly.

As stated above, excellent client service is provided by engaged staff. This means people who are not just satisfied to be working with ABN AMRO, but who are really engaged with what we do, who we are and who we want to be. Staff who are motivated to play an active role in achieving our vision and future with us.

Following the pilot in 2003, we conducted the second wave of our worldwide employee engagement survey in 2004. The 2004 programme surveyed some 26,000 employees, gaining a healthy response rate of 64%. It expanded our knowledge of what drives engagement in ABN AMRO, providing insights into our strengths and highlighting areas for improvement.

Our people development reflects our high performance culture, our values and the needs of our businesses. So in 2004 we intensified the People & Organisational Capability Reviews launched in 2003, to support a continuing dialogue between each BU and the Managing Board, helping BUs to identify the right combination of skills, knowledge, behaviour and values to meet their performance goals.

Our people's rising participation in internal and external leadership programmes at all levels underlines the increasing focus on leadership development throughout our businesses. We ran a workshop entitled Building Value Together for the BUs' existing management teams, focusing on leadership, ambition, high performance, and collaboration across BUs and geographies. Our renewed emphasis on cross-(S)BU career development supports our efforts to develop our future leaders, build cross-(S)BU and cross-cultural cooperation, and ultimately drive higher business performance.

To help ABN AMRO and the various BUs achieve their ambitious goals, the global HR organisation began a transformation programme in 2004 for roll-out during 2005. Employee organisations representing people affected by the programme are being closely consulted. This transformation will improve the quality and efficiency of our HR services, while also enabling us to continue to respond to the changing needs and increasing demands of the business. It will ensure that the bank receives a consistent, global service supported by value-creating people strategies and policies. Under the transformation plan, expert knowledge will be developed and provided by global centres of expertise, covering areas such as talent management, reward, performance management and leadership development.

Group Compliance

Regulatory and legal requirements have increased significantly over the years. As a result, compliance is a key element in conducting our business in an ever-changing and complex environment. The importance of compliance applies not only to the bank as a whole, but to all our individual employees.

To live up to the high standards we set for ourselves, as well as those set by legislation, by our stakeholders and through public opinion, we have taken active steps to strengthen our Compliance function both at Group level and (S)BU level. These steps are in parallel with the organisational changes and strategy revisions that we made during 2004 and were taken in view of global developments that have affected the reputation and the transparency of organisations in the corporate world. These developments, combined with the implementation of increasingly complex regulatory requirements, have heightened our level of risk awareness.

The changes to our Compliance function, which is part of Group Functions, include the implementation of an independent reporting structure at Group level. This has reinforced the ability of Group Compliance to fulfil its core role, which is to act on behalf of the Managing Board in exercising effective and independent oversight of those core processes and related policies and procedures that aim to ensure compliance with industry-specific regulations, and with standards of conduct driven by our ethics, Corporate Values and Business Principles.

The Compliance Policy Committee, chaired by the Managing Board and consisting of the most senior representatives from our (S)BUs and Group Compliance, is responsible for coordinating our Compliance function globally. The Committee oversees and decides on key compliance activities, while also undertaking broad oversight of Group Compliance. A key step taken by the committee in 2004 was the approval of the revised policy on Client Acceptance and Anti Money Laundering. This policy was revised in light of Anti Money Laundering (AML) regulations, which continue to change on a global basis in both quantity and strength, imposing ever-greater Know Your Customer and AML requirements on financial institutions. In addition, the far-reaching nature of some AML-related regulations – especially those from the US – has increased over the years. So we decided to adopt global standards for those AML compliance policies and procedures that need to meet these US requirements, including the areas of Transaction Filtering and Money Laundering Detection. Further strengthening of the EU's AML regulations will take place in 2005, following the Third EU Directive on Money Laundering published in draft form in mid-2004.

In summary, the major compliance developments and initiatives in 2004 have been:

- Focused support, across all (S)BUs, for efforts to identify regulatory implications and, where required, to notify regulators and/or seek approval for the bank's continuing outsourcing and migration initiatives
- The implementation of new integrity rules, including those based on the Basel Committee on Banking Supervision's document 'Customer Due Diligence for Banks'. These rules relate to client due diligence, integrity-sensitive positions and the reporting of incidents with implications for integrity. Where applicable, the rules were translated into policies and procedures that were implemented across the bank's (S)BUs
- Financial institutions in the US encountered a number of new regulations, as well as facing heightened expectations from regulatory agencies regarding their approach to established regulatory requirements. Among the more challenging issues were those surrounding corporate reporting, as well as AML, the handling of consumer information and cheque processing
- On 23 July 2004, we signed a written agreement with the US regulatory authorities concerning our dollar clearing activities in the New York branch. We are providing information to law enforcement authorities in connection with an investigation relating to our dollar clearing activities and other Bank Secrecy Act matters.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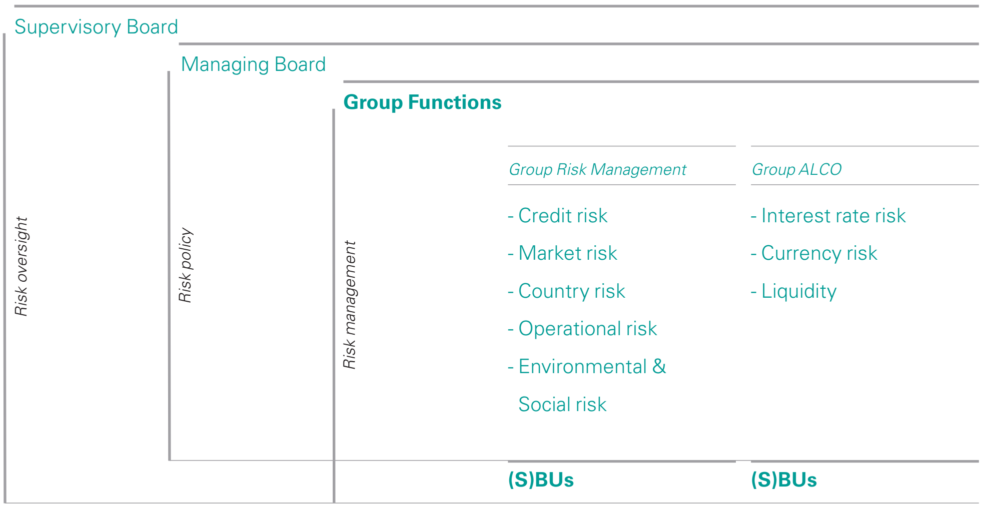
Risk management

Risk governance organisational structure



Risk management framework

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

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

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

Risk governance

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

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

- GRM is responsible for the management of credit, country, market and operational risk and is also participating in the work to prepare the bank for the implementation of the new capital adequacy accord (Basel II)
- GALM is responsible for protecting the bank's earnings and capital position against adverse interest rate and currency movements in its non-trading portfolios, as well as managing the Group's longer-term liquidity profile.

Organisation of Group Asset and Liability Management

To enable us to manage our balance sheet effectively, we have established an Asset and Liability Committee (ALCO) structure mirroring the bank's organisation. Under this structure there is a Group ALCO at Group level and an ALCO in our client-facing BUs, each responsible for managing the Asset and Liability Management (ALM) process in its own particular area of interest.

The members of Group ALCO are drawn from the business, Finance and Risk.

Group ALCO 's main responsibilities are to:
• Supervise all BU-level ALCOs
• Set the overall risk limit per (S)BU and per currency for interest rate and liquidity risk
• Set overall Value-at-Risk (VaR) limits for market risks, the allocation of which is the responsibility of the Group Risk Committee
• Manage the consolidated liquidity and interest rate position of the bank
• Manage the Group's capital structure
• Set standards and policies for transfer pricing and inter-(S)BU transactions
• Manage the corporate investment portfolio
• Hedge the invested capital and profits in foreign currency throughout the bank.

Organisation of Group Risk Management

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

GRC's main responsibilities are to:
• Determine the risk policies, procedures and methodologies for measuring and monitoring risk as well as reputational risk issues
• Set delegated authorities for lower committees and authorised individuals within GRM, Consumer & Commercial 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 the bank's overall portfolio for Consumer & Commercial Clients, Wholesale Clients, Private Clients and Asset Management.

The credit risk organisations of Consumer & Commercial Clients, Private Clients and Asset Management have a local focus and are overseen by GRM. The risk function of Wholesale Clients is fully integrated into GRM, and market risk and operational risk are separate risk functions within GRM. Country risk officers (CROs) are an integral part of GRM and provide local oversight. The home markets within Consumer & Commercial Clients have their own CROs with dual reporting lines. Within GRM, the Structured Risk Interface has been established to manage the risks within the complex and diverse Wholesale Clients' product mix.

The main responsibilities of GRM and the risk management functions of Consumer & Commercial Clients, Private Clients and Asset Management are to:
• Oversee all credit, market and regulatory matters and ensure compliance with local laws
• Approve risk transactions within their 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 ABN AMRO's risk parameters
• Set provisions for loan losses within their delegated authority
• Approve consumer product and SME lending programmes within their delegated authority
• Establish and maintain operational risk control discipline

• Ensure compliance with ABN AMRO's Corporate Values and Business Principles.

Risk management and internal controls

Despite our creation of the formal GRM organisation, risk can also be viewed more broadly as the responsibility of all departments in the bank. So risk is taken into account from the inception of a transaction through to its completion.

Responsibility for management of risk lies first with each operating department, whose duties include analysing the risks involved in each transaction it originates, checking that those risks are compatible with the assigned limits, and ensuring that they are managed properly.

The middle and back-office are responsible for executing, recording and processing all transactions.

A number of functional departments which are independent from the business control the transactions:

- Risk Management approves risks incurred and monitors changes in exposures
- Group Finance takes responsibility for the reliability and accuracy of the financial and accounting data
- Compliance ensures that all staff adhere to the regulations applicable to the business
- Legal and Tax monitor legal and fiscal aspects of transactions
- Audit reviews and inspects departments for internal controls.

Management of risks is viewed throughout the organisation as an integral function of ABN AMRO.

Credit risk

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

Main principles of credit risk management

The main principles of credit risk for commercial and consumer credits are:

- Approval of credit risk exposure is independent of the business originators
- All commercial activities which commit the bank to engage in risk-sensitive transactions require prior approval by its relevant committees or at least two authorised individuals (the 'four-eyes principle')
- The Managing Board delegates authority to approve such activities to GRM within Group Functions and further down to the (S)BUs
- Within their delegated authority levels, the BUs are responsible for managing all business activities
- Credit facilities, once granted, need to be properly documented and monitored
- 'Know Your Client' is a leading principle, meaning that we should be familiar with our clients' backgrounds with regard to the financing of their activities and transactions.

Management of commercial credits

Credit decisions for commercial clients are based on:

- Global One Obligor Exposure, which combines all direct and contingent credit limits to a given relationship globally
- Uniform Counterparty Rating, which is the risk rating based on the probability of default of the individual counterparty.

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

The CROs in Consumer & Commercial Clients, Private Clients and Asset Management have a functional reporting line to GRM. Credit proposals that exceed the delegated authority of the (S)BU are forwarded to GRM for advice and decision by the relevant credit authority.

Credit rating system, UCR, LGD classification

ABN AMRO has an extensive rating system, which is applied globally for commercial credits. It consists of two types of ratings: a Uniform Counterparty Rating (UCR), and Loss Given Default (LGD). The UCR reflects the estimated probability that the counterparty will default while the LGD classification reflects the loss which the bank would expect to suffer on a facility if the counterparty defaults.

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

The UCR rating scale is applied globally within the bank for all non-retail exposure. The scale is comprised of 14 non-default grades and three default grades. The non-default grades can also be mapped to those of external rating agencies. A number of rating tools have been developed to support the assignment and review of UCRs. These rating tools quantify the relative impact of various risk factors and make rating decisions transparent. Rating tools are now available for all the bank's major loan portfolios. ABN AMRO uses rating tools which are tailored to each specific market to reflect the underlying risk drivers.

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

Management of programme lending (financing consumers and SMEs)

Programme lending refers to credit that is approved under a Product Programme format and managed on a portfolio basis. When providing credit to consumers and certain small and medium-sized enterprises, ABN AMRO relies on the Product Programme process for credit approval and risk management. The BU prepares a Product Programme to apply for approval to offer a certain credit product. The Product Programme must specify the target customers or customer segment and should contain standard risk acceptance criteria for evaluating and approving individual transactions. Further, the Product Programme should demonstrate that the portfolio's performance will be predictable in terms of its yield, delinquency and write-offs. Tracking and reporting mechanisms must be able to identify trends in the portfolio's performance early on, and to allow for timely adjustments.

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

Credit initiation, account maintenance and collection decisions may be based on the objective application of eligibility criteria together with other guidelines described in

Total loans analysed by (S)BU breakdown

(in billions of euros)	**Total 2004**	C&CC	WCS	PC/AM/GF	2003	2002
Public sector	**6.0**	1.1	4.8	0.1	5.5	7.4
Private sector	**233.8**	171.7	49.6	12.5	234.8	247.2
Total loans*	**239.8**	172.8	54.4	12.6	240.3	254.6

***** *Excluding professional securities transactions*

the approved Product Programme or on credit scoring. BUs use internally-developed and vendor-supplied scorecards. Credit bureaus are used where available.

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

ABN AMRO loan portfolio and its composition

Portfolio growth in 2004 was constrained by competitive market conditions. Clients have been conservative in their financial strategies and restrained in their borrowing, resulting in a relatively lower utilisation of credit facilities. Additionally, the strengthening of the euro has impacted negatively on growth in US dollar-denominated portfolios.

In 2004, Consumer & Commercial Clients continued to be the largest SBU, holding approximately 72% of total loans outstanding. Wholesale Clients was second, with 23%. The remainder was held by Private Clients, Asset Management and other Group businesses. Consumer & Commercial Clients's predominance within ABN AMRO's total loans reflects the size of its operations in the bank's home markets of the Netherlands, the US Midwest and Brazil.

Consumer & Commercial Clients loan portfolio

The BU Netherlands continues to make up the bank's largest asset base, accounting for 48% of total private loans outstanding, followed by BU North America with 25%. In 2005, ABN AMRO will aim for further growth of its Consumer & Commercial Clients portfolio in countries such as China, Hong Kong and India.

Commercial portfolios

Consumer & Commercial Clients' commercial portfolios, which consist of loans to corporate entities, accounted for 40% of total Consumer & Commercial Clients private-sector loans in 2004. The total commercial loan portfolio declined modestly during the year, reflecting the strength of the euro against other currencies.

The commercial portfolio of BU Netherlands increased by approximately 4% over the year. The portfolio remains diversified, with wholesale trade, transportation & communication, and financial services as its top three industry clusters.

In North America, Consumer & Commercial Clients commercial activities remain primarily in the US Midwest, but LaSalle Bank has opened several regional offices which have contributed positively to loan growth. Commercial real estate and mid-market lending remain important activities for the bank. Its top three industry clusters are construction & real estate, manufacturing, and wholesale & retail trade.

Brazil's commercial portfolio saw strong growth of 36% fuelled by economic recovery. Banco Sudameris is now fully integrated into the organisation and will contribute to growth in the mid-market segment.

C&CC – Total private sector loans by BU

(in billions of euros)	**Total 2004**	Nether-lands	North America	Brazil	New Growth Markets	Bouw-fonds	2003
Commercial	**68.9**	26.1	29.7	3.4	2.0	7.7	68.2
Consumer	**102.8**	55.9	12.8	4.0	2.8	27.3	99.6
Of which: mortgages	***84.8***	*44.1*	*12.4*	*0.3*	*0.7*	*27.3*	*82.1*
Total private sector loans	**171.7**	82.0	42.5	7.4	4.8	35.0	167.8

The BU New Growth Markets commercial loan portfolio decreased by only EUR 0.2 billion or 9% despite the sale of Bank of Asia.

The commercial portfolio of Bouwfonds showed favourable growth of EUR 1.7 billion (28%).

Consumer portfolios

The Consumer Portfolio of the SBU Consumer & Commercial Clients, which consists of loans to private individuals, continued to make up a dominant part of the SBU's business in 2004, accounting for 60% of total private-sector loans of Consumer & Commercial Clients. 82.5% of consumer loans are covered by mortgages.

In BU Netherlands, the portfolio grew modestly at a rate of 2.6%. In the US, the mortgage business faced lower volumes at the end of the refinancing cycle. However, the bank has introduced a Home Equity product which is enjoying market acceptance. At the end of 2004, LaSalle Bank was servicing more than USD 200 billion of residential mortgages.

Brazil's consumer portfolio consists mainly of car finance and personal loans. Despite increased competitive pressure and new entrants into the market, the loan portfolio grew by EUR 0.5 billion (14%).

The BU New Growth Markets consumer portfolio remained stable at a level of EUR 2.8 billion, despite the sale of the stake in Bank of Asia in the third quarter. Activities are focused on the new markets in India and Greater China.

The Bouwfonds consumer portfolio showed healthy development and increased by EUR 2.2 billion (8.8%).

Wholesale Clients loan portfolio

The Wholesale Clients private sector loan portfolio increased by EUR 6.3 billion (14.5%). This portfolio focuses mainly on OECD countries. The percentage in the US declined as a result of the strengthening of the euro against the US dollar. Telecommunications, automotive and integrated energy remained the top three industry clusters in the portfolio. Wholesale Clients manages all industry exposure under agreed portfolio caps across geographic markets.

There was a major improvement in credit quality due to good management of the portfolio and proactive risk management measures taken earlier.

In line with the global banking industry, Portfolio Management has used credit derivatives to hedge corporate risk and to reduce economic and regulatory capital in the Wholesale Clients loan portfolio.

Selective hedging of the loan portfolio has allowed Portfolio Management to manage risk concentrations at both the relationship and industry levels. This is an important tool in the expansion of the active portfolio management model.

Provisioning

Provisioning policies

ABN AMRO has developed specific provisioning policies for the classes of loan

Specific provisioning by (S)BU (net additions)

(in millions of euros)	**Total 2004**	C&CC	WCS	PC/AM/GF	2003	2002
Total for loan losses	**640**	583	20	37	1,240	1,681
Sovereign / country risk	**13**	–	16	(3)	34	14
Total specific provisioning	**653**	583	36	34	1,274	1,695
Specific provisions to average RWA (bps)	**27**	40	5	17	55	66

business that the bank undertakes. These policies are kept under constant review and are adjusted to reflect (among other things) the bank's actual loss experience, developments in credit risk modelling techniques and changes in legislation in the jurisdictions in which the bank operates.

Corporate and commercial loans

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 local or GRM's Financial Restructuring & Recovery unit. After making an assessment, this unit determines the amount, if any, of the specific provision that should be made, after taking into account the value of collateral. At the close of each quarterly reporting period, the GRC reviews specific provisions on the portfolio to ensure their adequacy.

Consumer loan products

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

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

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.

Sovereign risk

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

Doubtful and non-performing loans

Loans are classified as doubtful as soon as there is evidence 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 is determined on a per item basis, taking into account the value of the collateral. The allowance for consumer/programme lending is determined

Non-performing loans

	2004	2003	2002
Total non-performing loans (in millions of euros)	**4,088**	4,955	6,132
Non-performing loans to private sector loans (gross, in %)	**1.73**	2.08	2.44
Allowances for loan losses to private sector loans (gross, in %)	**1.24**	1.68	1.64

on a portfolio basis, with a specific allowance for each product being determined by the portfolio's size and the bank's historical loss experience.

Non-performing loans are doubtful loans that are placed on a non-accrual basis. This means that the contractual interest is no longer recognised in the income statement. Any asset or exposure in the loans and advances portfolio that bears an impairment loss on principal or interest is defined as non-performing.

The volume of non-performing loans decreased by EUR 0.9 billion (17%) in 2004, reflecting the improved quality of the credit portfolio. The ratio of non-performing loans to private-sector loans developed favourably. Finally, the coverage ratio – or allowances for loan losses to private-sector loans – also changed slightly, reflecting the higher quality of the credit portfolio.

Consumer & Commercial Clients loan loss provision trends by BU

Consumer & Commercial Clients' total provisions for the year ended 2004 were EUR 583 million, representing a decline of 29% over total provisions in 2003. Provisions moved from 57 bps of average RWA in 2003 to 40 bps in 2004.

In BU Netherlands provisions were EUR 45 million lower (18%) than in 2003. While a subdued environment at the start of 2004 kept provisions for SME and consumer credits at a higher level, there was some improvement during the second half of the year. The Dutch mortgage portfolio continued to perform well. The ratio of loan loss provisions to RWA decreased from 47 bps to 37 bps.

Credit conditions in the US improved in 2004, resulting in provision levels that were EUR 201 million (66%) lower than in 2003. The net provisioning levels benefited from recoveries in the middle-market portfolio. Credit characteristics improved in all businesses. Real estate financing continued to perform very well with minimal losses. The loan loss provisions, as a percentage of RWA, decreased from 51 bps to 18 bps.

In Brazil, provisions were reduced by EUR 32 million (12%), as a result of the more favourable economic environment and the release of previously-taken conservative provisions on the Banco Sudameris portfolio. The ratio of loan loss provisions to RWA decreased from 394 bps to 260 bps.

Wholesale Clients loan loss provision trends

Wholesale Clients' provisions declined by EUR 363 million (91%) compared to 2003 due to a lower level of provisioning as well as releases and recoveries within the energy and telecom sectors. Improving credit quality is also shown by the average UCR of the Wholesale Clients' corporate portfolio. ABN AMRO remains confident about the overall quality of its portfolio and its strong credit profile. The ratio of loan loss provisions to RWA decreased from 60 bps to 5 bps.

Cross-border risk exposures

(in billions of euros for year ended 31 December)	Total cross-border exposure			After mitigation [1]		
	2004	2003	2002	**2004**	2003	2002
Region						
Brazil	**3.1**	3.2	3.7	**1.0**	0.7	0.9
Other Latin America (incl. Mexico)	**3.6**	3.0	3.7	**2.8**	1.9	2.5
Asia and Pacific	**10.3**	7.7	7.1	**6.1**	4.8	4.8
Eastern Europe	**4.3**	3.6	3.0	**3.0**	2.3	1.6
Middle East and Africa	**5.2**	3.1	2.7	**3.6**	2.2	1.9
Total	**26.5**	20.6	20.2	**16.5**	11.9	11.7

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

Sovereign risk exposures

(in billions of euros for year ended 31 December)	Total sovereign exposure			Of which foreign currency [1]		
	2004	2003	2002	**2004**	2003	2002
Region						
Brazil	**5.2**	5.2	3.7	**0.2**	0.1	0.3
Other Latin America (incl. Mexico)	**1.1**	1.4	1.4	**0.6**	0.6	0.9
Asia and Pacific	**3.4**	3.7	3.5	**0.4**	0.3	0.6
Eastern Europe	**1.9**	1.7	1.5	**0.5**	0.4	0.8
Middle East and Africa	**0.6**	1.0	0.8	**0.5**	0.6	0.4
Total	**12.2**	13.0	10.9	**2.2**	2.0	3.0

1 *Partly included in the cross-border risk exposures*

Cross-border and sovereign risk in the portfolio

ABN AMRO manages country risk in emerging markets, both sovereign and cross-border, on a portfolio basis.

Cross-border risk

Cross-border risk is defined as the risk that funds in foreign currencies cannot be transferred out of a country as a result of the actions of the authorities in the country, or because the transfer is impeded by other events such as civil war and embargoes.

The measurement of cross-border risk exposure covers all on- and off-balance sheet assets that might be directly affected by cross-border risk. ABN AMRO has been monitoring cross-border risk exposure for many years and currently uses a VaR model to determine the cross-border risk on its total portfolio. VaR analyses historical market trends to estimate the likelihood that a portfolio's losses will exceed a certain amount. Going forward, this VaR model will be replaced by the economic capital calculations which cover cross-border risk.

Total cross-border risk exposure in 2004 rose by EUR 5.9 billion (28.6%) compared with 2003, mostly due to significant increases in Asia Pacific and Eastern Europe, as well as increases in all the other regions. The increase in cross-border exposure, net of mitigated exposure, was EUR 4.6 billion (38.6%) compared to 2003.

Sovereign risk

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

The sovereign risk exposure decreased in 2004 by EUR 0.8 billion (6.1%), mainly because of lower exposure in Latin America (outside of Brazil) and in the Middle East and Africa. However, while total sovereign risk exposure decreased, the foreign exchange component rose by EUR 0.2 billion.

Market Risk

Market risk is the risk that movements in financial market prices – such as foreign exchange, interest rates, credit spread, equities and commodities – will change the value of the bank's 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 activities, 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.

ABN AMRO has developed and implemented its own market risk measurement framework. This framework is based on the principles of best industry practice and the requirements imposed by regulators. In general, market risk exposure has to be identified and quantified in order for risk monitoring and reporting to be effective.

For the purposes of quantification, industry practitioners usually classify market risk exposure by type of market risk. There are several major types of market risk: interest rate risk, foreign exchange risk, equity price risk, commodity price risk, credit spread risk, and volatility and correlation risks. For each risk type there are specific risk factors, and various measures for these risk factors.

In practice, market risk exposure is quantified by identifying relevant risk factors and calculating appropriate risk measures (such as first and higher order sensitivities, collectively known as 'Greeks'). These risk measures for each risk factor are then used to set market risk limits, to run scenario and sensitivity analyses, and as inputs to various risk measurement models, such as Value-at-Risk.

Market Risk Management

Market Risk contains three major functions: Market Risk Management, Market Risk Policy, and Market Risk Reporting & Control. Its goals are to avoid unexpected losses due to market risk and to optimise the use of market risk capital.

Market Risk Management (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 & loss of trading positions. MRM focuses specifically on activities in Wholesale Clients. Market risk exposures generated by Consumer & Commercial Clients, Private Clients, Asset Management and the bank's subsidiaries are monitored through close liaison with MRM by risk professionals from these (S)BUs. MRM also monitors the market risk of ALCO portfolios maintained by Group Functions. Market Risk Policy is responsible for developing policy and establishing and maintaining a market risk framework within

VaR per Risk Category (99% confidence level, 1 day holding period)

(in millions of euros)	2004 Year-end	2003 Year-end	2004 Average	2003 Average	2004 Maximum	2003 Maximum	2004 Minimum	2003 Minimum
Total per risk type								
Interest rate risk	**18.7**	13.5	**21.6**	17.5	**49.5**	40.4	**10.4**	11.0
Equity price risk	**15.6**	11.0	**14.9**	11.4	**25.9**	18.9	**8.8**	3.8
Foreign exchange risk	**3.7**	2.1	**3.0**	3.3	**7.7**	11.0	**1.0**	0.6
Commodity price risk	**0.8**	0.2	**0.4**	0.3	**2.5**	2.5	**0.1**	0.1
Diversification effect	**(8.3)**	(8.0)						
Aggregate VaR 1	**30.5**	18.8	**26.4**	21.7	**42.2**	34.3	**17.1**	14.1

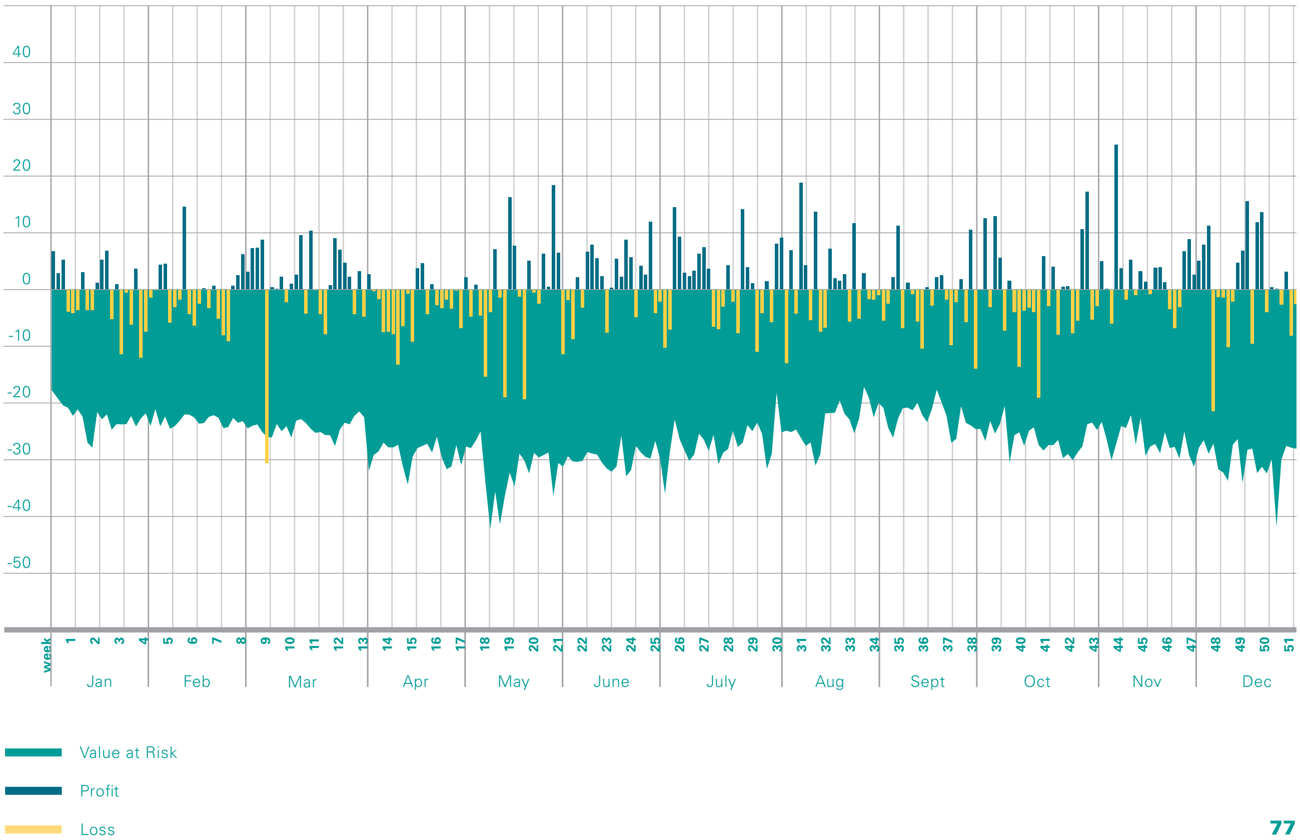
1 The minimum and maximum for each risk category occured on different days and therefore is not meaningful to the Aggregate VaR. The Aggregate VaR includes the diversification effect that is caused by imperfect or negative correlations between certain risk types and may therefore be lower than the sum of the individual risk types on the same day (year-end)

the organisation. Market Risk Reporting & Control strives to optimise both the reporting process and the content of the market risk reports.

Value-at-Risk

VaR is a methodology for assessing market risk exposure in a single number. ABN AMRO uses VaR as its primary tool for the day-to-day monitoring of trading-related market risks. 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 in the future and at a specific level of statistical confidence. ABN AMRO uses a

Value-at-Risk versus hypothetical Profit & Loss for trading portfolios for 2004 (in millions of euros)



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 trading assets and liabilities. The VaR is reported on a daily basis per trading portfolio, per product line and for the bank as a whole, and is reported daily to the senior management of the BUs, GRM and the responsible members of the Managing Board.

Although the VaR represents a good estimate under normal market circumstances, it fails to capture 'one-off' events. The effectiveness of VaR can be assessed through a technique known as back-testing, which counts the number of days where the losses were bigger than the estimated VaR figures for those days. Statistically, with a 99% confidence level, it may be expected that on one out of every 100 trading days a loss exceeding the VaR 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 excluding the effect of commissions, origination fees and intra-day trading. The results of the back-testing on the actual and the hypothetical P&Ls are reported to the Dutch central bank on a regularly basis. Back-testing is an essential instrument for the ex post validation of our internal VaR model.

Additional Control Measures

The VaR measure is supplemented by a series of stress test scenarios and sensitivity stress tests that shed light on the behaviour of a portfolio and the impact on the P&L under extreme market movements. Sensitivity stress tests and stress test scenarios have been developed internally to reflect specific characteristics of the bank's portfolios. The stress test scenarios and sensitivity stress tests are performed daily for each trading portfolio and at several levels of aggregation.

Sensitivity stress tests

This category of stress tests is based on parallel movements either in one particular risk factor or simultaneously in a number of risk factors. The tests are applied to each trading portfolio. The following stress tests have been developed and implemented:

- *Stressed Delta:* This test calculates the potential loss (profit) that might be incurred by the portfolio as a result of a large parallel move in the respective risk factor. For the interest rate sensitive portfolios, this test is calculated by applying a series of parallel shifts in the yield curve
- *Stress Matrices:* These tests aim to analyse the potential loss (profit) as a result of simultaneous movements in the underlying market price (stock price or FX rate) and volatility of this risk factor, and are designed in the form of scenario matrices
- *Curvature stress:* This test analyses the potential change in the value of interest rate-sensitive portfolios due to convexity effects embedded in these portfolios. It is measured by calculating differences between the linearly extrapolated delta (through a series of shifts in the interest rate) and the results of the full revaluation of the portfolio, assuming parallel shifts in the yield curve
- *Czech Koruna scenario:* This test is to analyse the potential change in the value of interest rate-sensitive portfolios in emerging market currencies due to an extreme non-parallel move (inverted curve) as a result of a liquidity crisis, as was seen in 1997 in the Czech Koruna market.

Limits are in place for each of the stress tests listed above. The stress test calculations and the limit monitoring are performed on a daily basis.

Stress test scenarios

The bank uses two types of scenario analysis, applied at the overall bank level:

1 *Historical scenarios.* In this category, bank-wide stress test scenarios are created based on events of significant disturbance in financial markets that actually took place in the past. Examples of historical stress tests scenarios include the stock market crash (1987), bond market crash (1994), emerging markets crisis (1997), financial market crisis (1998) and WTC attacks (2001).

For each of the scenarios a checkpoint level is put in place, serving as a trigger for discussions and/or actions in cases where this checkpoint level is exceeded. The scenario calculations and monitoring of checkpoint levels are performed on a daily basis.

2 *Hypothetical scenarios.* In this category we construct shocks that are deemed plausible in the future. Currently, no hypothetical scenarios are calculated. Examples of scenarios calculated in the past are 'Euro blow-up' and 'Y2K'.

Eligibility of actual events for scenario creation

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. In addition, we have concentrated our trading activities in the Amsterdam, Chicago, Hong Kong, London, New York and Tokyo offices to facilitate more centralised risk management control and monitoring. Given its worldwide coverage and diversified overall portfolio, ABN AMRO as a whole is generally not very sensitive to sudden sharp market movements.

Asset and Liability Management

Interest rate risk on banking book

One of GALM's core objectives 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 trading and non-trading earning is closely controlled. The way we manage and monitor trading-related interest rate exposure is set out in the Market risk section, starting on page 76.

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

Net interest revenue is the sum of interest received less interest paid. Calculating this involves large volumes of contracts and transactions, and numerous different products. We use simulation models and estimation techniques to assess the sensitivity of the net interest revenue stream 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 right, but not the obligation, to repay before the scheduled maturity.

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

The sensitivity of net interest revenue to interest rate changes is assessed by assuming a gradual parallel shift (ramp) up and down in the term structure of interest rates during a period of 12 months. Our sensitivity analysis indicates that such a movement would lead to a reduction of our net interest revenue during this period.

Yield curve shock	1st year effect on net interest revenue
200 basis points up	– 4.2%
100 basis points down	– 0.2%

This analysis is based on our positions as of 31 December 2004, and is subject to assumptions, including an assumption on expected client behaviour under these changing circumstances.

Interest rate risk associated with our US residential mortgage business

ABN AMRO is among the top 15 residential mortgage originators and the top ten residential mortgage servicers in the US. We sell or securitise most of the mortgage loans we originate and retain a majority of the rights to service the residential mortgage loans we sell. The bank recognises 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 loan.

The US residential mortgage banking industry is subject to complex risks. Our credit risk is minimal because ABN AMRO sells or securitises most of the residential mortgage loans it originates. However, the sensitivity of origination income and mortgage servicing right values to changes in interest rates may have a significant impact on earnings. Although generally mortgage origination businesses and mortgage servicing businesses provide a partial natural offset, the timing of income recognition could impact earnings.

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

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

ABN AMRO employs various strategies to manage the risk to net mortgage revenue over time from all sources and to manage the risk to an immediate reduction in the fair value of its mortgage servicing rights. BU North America manages these risks within parameters established by Group ALCO. The hedge instruments we mainly utilise are interest rate swaps and forward sales contracts. From time to time other derivative instruments such as interest rate futures, caps, floors or purchased options to enter interest rate swaps may be employed. Occasionally cash instruments such as mortgage-backed securities are utilised as hedges for MSR assets.

As part of the overall management of interest rate risk, ABN AMRO takes into account the modulations in mortgage origination income that result from changes in interest rates. The origination side of the business, from interest rate lock commitment to loan sale, is hedged on an economic basis. MSRs are also hedged under a programme designed to limit exposure to the impact which interest rate volatility might have on the fair value of the MSR assets.

The valuation of mortgage servicing rights is important to the BU North America's results and, because of the inherent uncertainties, requires complex 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 the sale of mortgage servicing rights and regular valuations by various third party brokers to compare its valuation assessments with market data.

Currency risk

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

In trading portfolios, exposure to exchange rate movements is managed through market risk limits based on VaR. Any short or long positions are monitored to ensure compliance with the limits established by GRC. The management and monitoring of market risk, including currency risk, in our trading portfolios is set out in the Market Risk section on pages 76 to 79.

Non-trading currency risk

We apply various hedging strategies to net investments in our overseas operations and to their profits in order to minimise any adverse effects from translating the relevant foreign currency into euro.

- *Ratio hedge*

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

- *Capital hedge*

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

The position as of 31 December 2004 implies that a hypothetical increase in the value of the euro against all other currencies would have led to a reduction in reserves, and vice versa.

Euro against all other currencies	Effect on shareholders' equity
+10%	– 447 million
– 10%	+ 447 million

On this basis, there would have been no material impact on the bank's BIS-ratios, as the ratios are hedged against changes in the EUR/USD exchange rate.

- *Profit hedge*

Profits are also hedged on a selective basis to lessen the impact of currency movements on the profit and loss account. The criteria for deciding on profit hedging are similar to those for capital hedging. In August 2004 an additional 17% of the expected net USD profit for 2004 was hedged, thereby increasing the average rate of the hedges from USD 0.9563 to USD 0.9929 per Euro. The expected US dollar profit for 2005 has been hedged at a rate of USD 1.1625 by using a combination of forwards, options and a collar. The expected US dollar profit for 2006 has been hedged for 80% at a rate of 1.2130 by call options.

Liquidity risk

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. We hold capital to absorb unexpected losses, and manage liquidity to ensure that sufficient funds are available to meet not only our known cash funding requirements, but also any unanticipated ones that may arise. At all times, we maintain what we believe are adequate levels of liquidity on a Group-wide basis to meet deposit withdrawals, repay borrowings and fund new loans, even under stressed conditions.

As part of our liquidity management, we securitised our Dutch home mortgages and retained most of the resulting notes. As a result, ABN AMRO now owns additional securities that are eligible as collateral for the Dutch central bank, resulting in a direct improvement of some EUR 13 billion in our liquidity. Unlike the US federal banking authorities, the Dutch central bank 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

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. So our local line management is responsible for managing our local liquidity requirements under the supervision of Group ALCO.

On a day-to-day basis our liquidity management depends on, among other things, the effective functioning of local and international financial markets. As these conditions do not always apply, we have Group-wide contingency funding plans. These plans are implemented if there is a dramatic change in our normal business activities or in the stability of the local or international financial markets. The Group Strategic Funding Committee has full authority to manage such a crisis. As part of this liquidity management contingency planning, we assess potential trends, demands, 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 contingencies inherent in these types of transactions, in terms of their potential effect on our normal sources of liquidity and finance.

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, lapses in internal controls, human errors, fraud, and external threats.

ABN AMRO has instituted a Group Operational Risk Policy and a Group Risk Framework, which together outline tasks and responsibilities at each organisational level. The Group Operational Risk Management (ORM) Committee is responsible for establishing Group policies and standards on ORM and oversees 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 CFO, and is composed of the COOs and CROs of each (S)BU and the senior managers from the relevant Group Functions.

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

ORM programmes and tools

Information is necessary to enable line management to identify and analyse operational risks, to implement mitigating measures and to determine the effectiveness of 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 assists line management in identifying and assessing risks and in taking mitigating actions for risks which are identified as unacceptable. Risks are assessed with the assistance of facilitators (in most cases these are 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 Corporate Loss Database. 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 regulatory and economic capital
- *External Loss Data (ELD)*
ABN AMRO is a founding member of Operational Risk eXchange (ORX), an international data consortium set up in 2003. External loss data is used to perform benchmark analyses and, in the future, it will also be used to perform scenario and stress analyses
- *Other Risk Approval Process (ORAP)*
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 (KRI)*
An approach used to indicate possible changes in the operational risk profile. Key risk indicators allow for a trend analysis over time and trigger escalation procedures
- *Key Operational Risk Control (KORC)*
A reference guide 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 Risk Self-Assessment.

In 2001 ABN AMRO established an economic capital process for Operational Risk. For 2005 this process will be more closely aligned to the future AMA approach, meaning that there will be more reliance on internal loss data.

ABN AMRO's results and financial condition may be affected by uncertain or unfavourable economic, market, legal and other conditions, as also described in this chapter and in other parts of this Annual Report. A full description of risk factors is included in our 20-F filing with the US Securities and Exchange Commission and is available on our website, www.abnamro.com.

Sustainable development

Making a commitment

In everything we do across the Group, our main objective is to create sustainable value for our clients, employees and shareholders. To help us achieve this aim, we run our business responsibly with integrity and openness. This in turn means that we also consider the interest of other stakeholders in society, by taking environmental, social and ethical issues into account and looking after the interests of future generations.

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 our clients, employees, shareholders, governments, supervisors and society at large. Integrity and transparency are indispensable to winning and retaining this trust. We have learned that an 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.

Making choices

Whatever choices we face, we know that focusing on the areas where we can have the most impact is crucial to our effectiveness in terms of fostering and encouraging sustainability. The combination of our responsibility towards society and our business objectives require us to make balanced and transparent decisions. We believe sustainable development is the right way forward, and we have put this belief into effect by allocating dedicated resources to support sustainability throughout our organisation.

Making it happen

We are determined to improve our sustainability performance continuously – not least because we know this will improve our business. However, our commitment to sustainability inevitably raises challenging dilemmas for us. We do not pretend to have all the answers, but we will not avoid difficult issues.

We are proud to have received recognition for our efforts in the field of sustainable development in 2004. During the year, ABN AMRO was singled out by several independent rating agencies and institutions for its sustainability performance. Most notably ABN AMRO:

- Received the Bracken Award from the Financial Times and The Banker magazine for 'Corporate Social Responsibility Bank of the Year 2004'
- Was selected as market sector leader in the Dow Jones Sustainability Index – STOXX for 2004
- Was ranked number one for the transparency of sustainability reporting among 175 companies reviewed by the Dutch Ministry of Economic Affairs.

In 2005 we will continue to incorporate sustainable development into our working environment and business processes throughout the bank. In this respect, we have identified the following sustainability initiatives:

- A bank-wide programme aimed at raising staff awareness and building skills
- Further policy development and implementation for sensitive sectors
- New business developments related to sustainability
- Introduction of an annual sustainability theme, which will be 'climate change' for 2005
- Identification of sustainable development opportunities which will catalyse knowledge building and client solution providing
- Extending our sustainable development infrastructure via performance contracts, policies, and measurement.

Sustainability Report

Our 2004 Sustainability Report is being published alongside this 2004 Annual Report.

You can find more information on sustainable development at ABN AMRO at www.abnamro.com.


POSSIBLE

Regulatory Capital

Group capital at year-end 2004 was EUR 33,039 million, an increase of EUR 1,236 million or 3.9% compared with 2003.

Shareholders' equity

The EUR 1,925 million or 14.8% increase in shareholders' equity was mainly due to retained earnings, exercise of staff options and a reversal of goodwill, offset by share buy-back, translation changes on treasury investments in operations abroad, revaluations and other changes such as a provision for pensions.

The full-year addition to the general reserve resulting from net profit less dividends equals EUR 3,372 million. Goodwill of EUR 30 million was added to reserves, caused by reversals with respect to the sale of Bank of Asia and LeasePlan Corporation, offset by a payment for Bethmann Maffei. Repurchases of shares amounting to a total of EUR 513 million were deducted from reserves. A charge relating to pensions decreased reserves by EUR 479 million.

Exchange rate differences decreased reserves by EUR 198 million, of which EUR 85 million was caused by the depreciation of the US dollar. Revaluations of our participations, premises and shares lowered equity by EUR 79 million. In September, a change of preference shares amounted to a EUR 46 million net decrease. The redemption of the 362.5 million 5.55% shares with a nominal value of EUR 2.24, with a total value of EUR 813 million, was partly offset by the issue of 1,369.8 million 4.65% convertible financing shares of EUR 0.56 nominal for an amount of EUR 767 million on the same date.

The number of ordinary shares outstanding rose by 31.3 million to 1,669.2 million, of which 57.0 million were related to stock dividends issued at an average price of EUR 16.75. The 2003 final dividend resulted in 56.6% of shareholders choosing the stock dividend, for which 28.1 million shares were issued at EUR 16.50 each. After the 2004 interim dividend was declared, 59% of shareholders chose stock dividend, leading to 28.9 million shares being issued at EUR 17.00 each. During the year 28.9 million shares were repurchased at an average rate of EUR 18.06 to offset the dilution effect of the stock dividends.

Staff options exercised resulted in 3.2 million additional shares, of which 0.5 million issued from the repurchased shares at an average price of EUR 18.10, and 2.7 million newly-issued shares at an average price of EUR 18.10.

Minority interests

A combination of factors caused a rise of EUR 566 million in minority interests during 2004. In February we issued USD 1.8 billion of 6.08% non cumulative guaranteed trust preferred securities. This was partly offset by redemption of USD 1.25 billion 7.125% trust preferred securities in April and USD 50 million 8.75% in June, leading to a net increase of EUR 390 million. Other third-party interests increased by EUR 403 million. Cumulative exchange rate changes decreased the total value of minority interests by EUR 227 million, of which EUR 197 million related to elements of tier 1 capital.

Fund for general banking risks

Foreign currency exchange rate changes caused an increase of EUR 6 million.

Subordinated debt

Subordinated capital fell by EUR 1,261 million to EUR 12,639 million. The effect of foreign exchange rates reduced total subordinated debt by EUR 426 million, of which EUR 127 million was debt on tier 1 capital. Redemptions totalled EUR 797 million and deconsolidation of loans with Bank of Asia EUR 40 million. Repurchased subordinated loans increased by EUR 48 million. This was offset by issuances of EUR 50 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 8.57%, of which the core tier 1 ratio is 6.39%, and with a BIS total capital ratio of 11.26%.

The total capital base fell by 0.8% to EUR 26 billion at 31 December 2004. RWA amounted to EUR 231.4 billion at 31 December 2004, an increase of EUR 7.6 billion from the end of the previous year. Securitisation programmes in 2004 decreased by EUR 91 million to a total of EUR 39,273 million.

Basel II and economic capital

New capital adequacy framework (Basel II)

On June 26, 2004 the Basel Committee on Banking Supervision endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework, the new capital adequacy accord known as Basel II. This publication was subsequently followed by local or regional transcriptions of this framework. The European equivalent, the Capital Adequacy Directive (CAD) 3, was released as a proposal by the European Commission in July 2004. This proposal is currently undergoing the preparatory process for the first reading in the European Parliament in 2005.

Within ABN AMRO, the Group Basel2 Project is governed by a single Steering Committee made up of senior managers from both the (S)BUs and Group Functions.

Basel II allows for several different approaches to implementation, ranging from standardised to advanced. ABN AMRO's aim is to take the most advanced approach for credit, market and operational risk. ABN AMRO is targeting compliance in January 2008 for the advanced approaches (AIRB and AMA). The parallel run for the advanced approaches starts two years before the implementation date, which implies that ABN AMRO needs to start dual reporting on current versus new regulatory capital requirements by January 2006.

Having operations around the world, ABN AMRO may find itself confronted with diverging interpretations and national discretions of the Basel II framework in different territories, which could lead in turn to substantial differences in regulatory reporting requirements. While the consequences of the new capital adequacy framework are becoming clearer from both the implementation and business perspectives, there are still some unresolved issues. Efforts aimed at increasing convergence in supervisory interpretation are currently under way, focusing on areas such as requirements, regulations, reporting and due dates. The bank clearly supports these initiatives.

Economic capital and its use within ABN AMRO

ABN AMRO has developed risk models to calculate economic capital as a uniform risk measure within the bank. Economic capital is the amount of capital that the bank should possess to be able to sustain larger than expected losses with a high degree of certainty. This degree of certainty has been set at a level to enable the bank to maintain its current credit ratings by leading rating agencies.

Consistent with the above definition, economic capital does not cover losses that the bank can statistically expect to incur in the normal course of its business. These expected losses are included directly in the pricing of transactions or are covered by provisions.

ABN AMRO calculates economic capital for the following risk types:

- *Credit risk* relates to the risk of losses incurred when a counterparty that owes the bank money does not pay the interest, principal and/or other monies due on time or at all. This covers actual payment defaults as well as losses in value resulting from an increased probability of payment default. Transfer and convertibility risk – the risk that a counterparty that owes the bank money in a foreign currency is prohibited by the government in the country in which it is situated from obtaining and/or transferring the foreign currency – is also included under credit risk. Furthermore, credit risk incorporates the risk of decreases in the value of the private equity portfolio. ABN AMRO has developed a multi-factor RAROC model to calculate economic capital for credit risk
- *Market and interest rate risk* relate to the risk that the value of the bank's assets

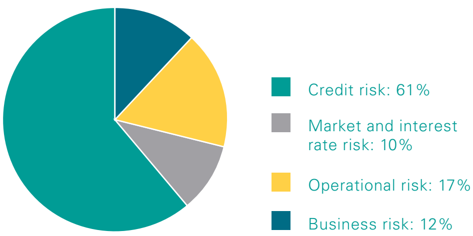
decreases and/or the value of its liabilities increases because of changes in interest rates, exchange rates or other market variables such as equity and commodity prices. It includes the risk of decreases in value of the bank's trading portfolios

- *Operational risk* is the risk of losses resulting from inadequate or failed internal processes, human behaviour and systems, or from external events. For those business lines with sufficient and available internal loss data, this data is used to estimate the appropriate economic capital. In other instances the standardised approach to Basel II has been followed
- *Business risk* is the risk that operating profit may decrease because of lower revenues – for example, due to lower margins or market downturns – or increases in costs which are not covered by the other risk types. Economic capital for business risk is calculated by estimating the volatility of net revenues while taking account of the bank's cost structure.

ABN AMRO is active in many locations worldwide and is involved in many different business activities. This diversification, as well as the diversification between different risk types, is taken into account when economic capital is calculated.

The contribution of each risk type to the total economic capital of ABN AMRO may be seen below.

Contribution of each risk type to economic capital



Comparison of these numbers with other firms' economic capital numbers may not always be meaningful as there is substantial variation across firms in terms of definitions, model coverage and underlying assumptions. Furthermore, methodologies to measure economic capital are continuously being refined and updated as measurement techniques improve and risk perceptions evolve. While a single number cannot provide complete risk assessment of a bank, quantification is an important element in managing risk and improving risk/reward decision-making. ABN AMRO is committed to developing adequate processes to accurately quantify risks and measure economic capital.

ABN AMRO is using economic capital to support the risk/reward type of decisions at various levels within the organisation. Economic capital is an important factor in credit-pricing tools that support transaction decisions. These tools are being used in different parts of the organisation and have successfully contributed to increase the average revenue for each unit of capital employed. Economic capital also plays an increasingly important role in performance measurement and in capital (re-)allocation decisions within ABN AMRO. Our economic capital model was rolled out in Wholesale Clients in 2004 and will be transferred to the rest of the organisation in 2005.

Shareholder information

ABN AMRO from 1995

	2004	2004 (USD)[4]	2003	2002
Income statement *(in millions of euros)*				
Net interest revenue	**9,666**	**12,070**	9,723	9,845
Total non-interest revenue	**10,127**	**12,646**	9,070	8,435
Total revenue	**19,793**	**24,716**	18,793	18,280
Operating expenses	**13,687**	**17,092**	12,585	13,148
Provision for loan losses	**653**	**815**	1,274	1,695
Fund for general banking risks (movements)	**–**	**–**	–	–
Pre-tax profit	**5,451**	**6,807**	4,918	3,388
Group profit	**4,380**	**5,469**	3,415	2,415
Net profit	**4,109**	**5,131**	3,161	2,207
Net profit attributable to ordinary shareholders	**4,066**	**5,077**	3,116	2,161
Dividends	**1,706**	**2,130**	1,589	1,462
Balance sheet *(in billions of euros)*				
Shareholders' equity 7	**15.0**	**20.5**	13.0	11.1
Group capital 7	**33.0**	**45.0**	31.8	30.4
Total client accounts and debt securities	**376.5**	**513.5**	361.6	360.7
Loans	**299.0**	**407.8**	296.8	310.9
Total assets	**608.6**	**830.1**	560.4	556.0
Contingent liabilities and committed facilities	**191.5**	**261.2**	162.5	180.3
Risk-weighted total assets	**231.4**	**315.6**	223.8	229.6
Ordinary share figures 1				
Number of shares outstanding (in millions)	**1,669.2**		1,637.9	1,585.6
Average number of shares outstanding (in millions)	**1,657.6**		1,610.2	1,559.3
Net earnings per share (in euros) 2,5	**2.45**	**3.06**	1.94	1.39
Fully diluted net earnings per share (in euros) 2,5	**2.45**	**3.06**	1.93	1.38
Dividend per share (in euros, rounded) 3	**1.00**	**1.23**	0.95	0.90
Payout ratio (dividend / net profit) 6	**40.8**		49.0	64.7
Net asset value per share (year-end, in euros) 3,7	**8.51**	**11.61**	7.47	6.47
Ratios *(in %)*				
Return on equity 7	**30.8**		27.7	20.1
BIS tier 1 ratio	**8.57**		8.15	7.48
BIS total capital ratio	**11.26**		11.73	11.54
Efficiency ratio	**69.2**		67.0	71.9
Number of employees *(headcount)*				
Netherlands	**28,751**		31,332	32,693
Other countries	**70,520**		81,331	73,745
Number of branches and offices				
Netherlands	**698**		711	739
Other countries	**3,172**		2,964	2,687
Number of countries and territories where present	**58**		63	66

Prior-year figures have been restated for comparison purposes
1 *Adjusted for shares repurchased to cover staff options granted*
2 *Based on the average number of ordinary shares outstanding and adjusted for increases in share capital*
3 *Where necessary, adjusted for increases in share capital*

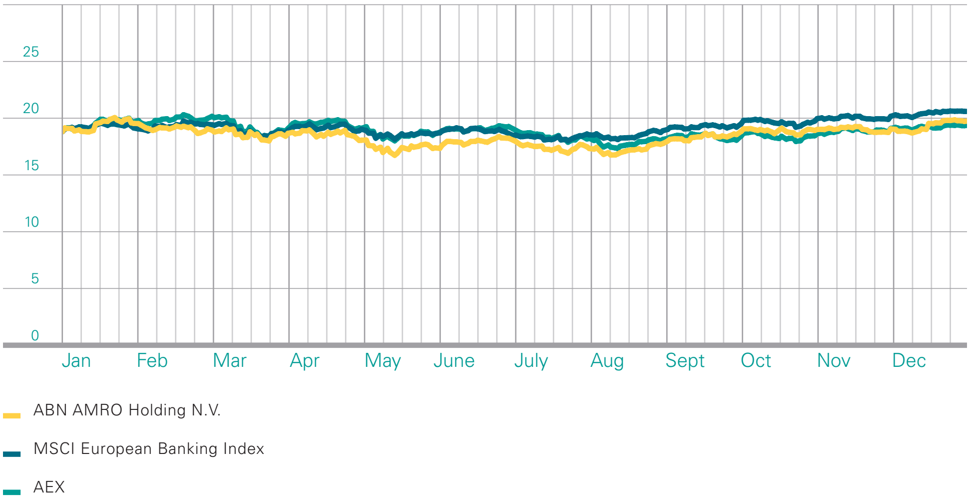
2001	2000	1999	1998	1997	1996	1995
10,090	9,404	8,687	7,198	6,294	5,230	4,646
8,744	9,065	6,840	5,340	4,491	3,433	2,708
18,834	18,469	15,527	12,538	10,785	8,663	7,354
13,771	13,202	10,609	8,704	7,450	5,867	4,962
1,426	617	653	941	547	569	328
–	(32)	(20)	(101)	179	66	308
3,613	4,725	4,250	2,897	2,626	2,175	1,743
2,615	3,401	2,930	1,989	1,872	1,563	1,233
3,230	2,498	2,570	1,828	1,748	1,499	1,187
3,184	2,419	2,490	1,747	1,666	1,414	1,075
1,421	1,424	1,250	906	844	733	623
12.1	12.9	12.4	10.9	11.9	11.5	9.5
34.3	32.9	29.3	24.5	24.2	20.3	15.5
384.9	339.8	284.2	243.5	221.1	159.3	147.3
345.3	319.3	259.7	220.5	201.1	150.5	132.8
597.4	543.2	457.9	432.1	379.5	272.0	248.0
193.4	187.5	159.0	124.0	102.8	80.9	63.8
273.4	263.9	246.4	215.8	208.7	176.7	149.6
1,535.5	1,500.4	1,465.5	1,438.1	1,405.6	1,364.5	1,255.6
1,515.2	1,482.6	1,451.6	1,422.1	1,388.7	1,346.3	1,232.5
1.53	2.04	1.72	1.23	1.20	1.05	0.87
1.52	2.02	1.71	1.22	1.19	1.03	0.83
0.90	0.90	0.80	0.58	0.54	0.48	0.41
58.8	44.1	46.5	46.9	45.5	45.5	46.9
7.34	8.43	7.87	6.94	7.84	7.06	6.44
27.3	20.5	23.1	16.6	15.5	15.2	13.7
7.03	7.20	7.20	6.94	6.96	7.21	6.51
10.91	10.39	10.86	10.48	10.65	10.89	10.80
73.1	71.5	68.3	69.4	69.1	67.7	67.5
36,984	38,958	37,138	36,716	34,071	32,531	34,587
74,726	76,140	72,800	71,014	42,678	33,641	29,107
736	905	921	943	967	1,011	1,050
2,836	2,774	2,668	2,640	921	706	620
67	74	76	74	71	70	67

4 *Income statement figures have been translated at the average dollar rate and balance sheet figures at the year-end dollar rate*
5 *2002, including special items. Excluding, net earnings per share amounted to EUR 1.52 and fully diluted net earnings per share amounted to EUR 1.51*
6 *2002, including special items. Excluding, the payout ratio is 59.2*
7 *Based on the directive of the Council for Annual Reporting at 1 January 2003*

ABN AMRO shares

Share price movements January 2004 - December 2004 *(in euros)*

(MSCI and AEX indices restated on the basis of ABN AMRO Holding N.V. ordinary share price on 31 December 2003)



Stock exchange listings

As of 31 December 2004 the ordinary shares of ABN AMRO Holding N.V. were listed on the stock exchanges of Amsterdam, Brussels, Dusseldorf, Frankfurt, Hamburg, London, New York, Paris, Singapore and the Swiss Exchange. The listing in Singapore has been cancelled on 17 January 2005. 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 2004, 52,630,453 ADRs were outstanding, compared to 53,944,253 at year-end 2003.

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

Development of share capital

In 2004, the number of ordinary shares outstanding increased by 31.3 million from 1,637.9 million to 1,669.2 million. This increase was the result of dividend payments in stock (57.0 million shares), the repurchase (– 28.9 million shares) and the exercise of staff options (3.2 million shares).

The time-weighted average number of ordinary shares outstanding amounted to 1,657.6 million (2003: 1,610.2 million). In calculating the time-weighted average, new shares are counted on a pro rata basis from the date of issue, except for ordinary shares issued through the conversion of convertible preference shares which are counted for the full year in which conversion takes place.

The 362.5 million protective preference shares, each with a nominal value of EUR 2.24, were cancelled on 30 September 2004 against a gross payment of EUR 2.45

Rights 31 December 2004

(in thousands of shares)	Staff options	Average exercise price (in euros)
Year of expiration		
2005	5,624	21.19
2007	4,467	21.30
2008	9,508	22.72
2009	4,412	20.42
2010	898	15.06
2011	495	17.12
2012	9,500	19.12
2013	13,757	14.45
2014	14,389	18.86
	63,050	18.94

(being the nominal value of EUR 2.24, a payment for the accrued dividend and an additional payment of 5% to be calculated over the nominal value (together rounded at EUR 0.21)).

In addition, on 30 September 2004, 1,369,815,864 financing preference shares were issued, each with a nominal value of EUR 0.56, at a price of EUR 0.56. Conversion of the financing preference 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.

If fully exercised, vested staff options could increase the number of ordinary shares by 19.6 million or 1.2% of the number of ordinary shares outstanding at 31 December 2004.

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.

Authorised capital

(in euros)				
4,000,000,400	ordinary shares	of	EUR 0.56	2,240,000,224
4,000,000,000	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 capital at 31 December 2004

(in euros)				
1,702,888,861	ordinary shares	of	EUR 0.56	953,617,762.16
1,369,815,864	preference shares	of	EUR 0.56	767,096,883.64
44,988	(formerly convertible) preference shares	of	EUR 2.24	100,773.12
				1,720,815,419.12

Ordinary share key figures

(in euros)	**2004**	2003	2002
Closing prices			
• High	**19.79**	18.88	22.78
• Low	**16.47**	11.93	10.45
• Year-end	**19.49**	18.55	15.58
Earnings per share 1	**2.45**	1.94	1.39
Fully diluted earnings per share	**2.45**	1.93	1.38
Payout ratio in % 2	**40.8**	49.0	64.7
Dividend per share	**1.00**	0.95	0.90
Dividend yield in % (year-end)	**5.1**	5.1	5.8
Net asset value per share (year-end)	**8.51**	7.47	6.47
Price / earnings ratio (year-end)	**8.0**	9.6	11.2
Price / net asset value in % (year-end)	**229.0**	248.3	240.8

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

Dividends on ordinary shares

	Entirely in cash	or shares as % of face value	New shares (x 1,000)	Payout ratio
Interim dividend 1995	0.18	2.3% ordinary shares	11,074	
Final dividend 1995	0.23	2.2% ordinary shares	10,453	46.8
Interim dividend 1996	0.20	1.9% ordinary shares	8,968	
Final dividend 1996	0.27	1.6% ordinary shares	14,697	45.4
Interim dividend 1997	0.24	1.4% ordinary shares	11,882	
Final dividend 1997	0.30	1.3% ordinary shares	13,058	45.5
Interim dividend 1998	0.27	1.4% ordinary shares	13,451	
Final dividend 1998	0.30	1.4% ordinary shares	14,045	46.9
Interim dividend 1999	0.30	1.2% ordinary shares	8,339	
Final dividend 1999	0.50	2.2% ordinary shares	13,990	46.5
Interim dividend 2000	0.40	1.4% ordinary shares	14,293	
Final dividend 2000	0.50	2.2% ordinary shares	19,508	55.2
Interim dividend 2001	0.45	2.3% ordinary shares	19,554	
Final dividend 2001	0.45	2.2% ordinary shares	19,298	58.8
Interim dividend 2002	0.45	2.8% ordinary shares	25,068	
Final dividend 2002	0.45	3.0% ordinary shares	23,599	59.2
Interim dividend 2003	0.45	2.8% ordinary shares	26,412	
Final dividend 2003	0.50	3.0% ordinary shares	28,151	49.0
Interim dividend 2004	0.50	2.9% ordinary shares	28,855	

Market capitalisation

(year-end, in millions of euros)	**2004**	2003	2002
Ordinary shares (outstanding)	**32,533**	30,383	24,704
Preference shares	**–**	841	776
Financing preference shares	**767**	–	–
(Formerly convertible) preference shares	**1**	1	30
	33,301	31,225	25,510
Market capitalisation as % of capitalised value of all listed Dutch ordinary shares	**8.2%**	8.1%	6.9%

In the long term, the intention is to maintain the dividend pay-out ratio at 45%-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 neutralise the dilutive effect of the full year stock dividend.

Depositary receipts for preference shares

At year-end 2004, 1,369.8 million depositary receipts for financing preference shares of EUR 0.56 face value each were outstanding. Holders of 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 financing preference shares and depositary receipts for financing preference shares has been fixed at 4.65%, as of 30 September 2004. As of 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 2004, 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 of 1 January 2014, and every ten years thereafter, the dividend percentage will be adjusted in line with the 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 bearer form. Apart from the filings under the disclosure of major holding in listed company act, no information is available on the share ownership. Study into the ownership of ABN AMRO Holding N.V. shares, which traced 84.28% (study of August 2004) of the ordinary shares revealed that foreign investors hold approximately 76% of ABN AMRO ordinary shares outstanding. The major geographical concentrations outside the Netherlands are the United Kingdom (approximately 17%) and United States of America (approximately 21%). Institutional investors hold approximately 86% of the total number of ordinary shares outstanding.

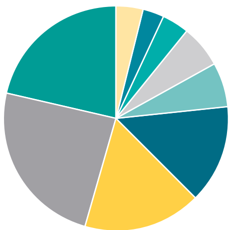
Daily ordinary share turnover in 2004

(in thousands)	Euronext Amsterdam	NYSE (ADRs)
High	22,860.6	558.0
Low	480.8	74.7
Average	6,989.2	227.1

Daily preference share turnover on Euronext Amsterdam in 2004

(in thousands)	Protective preference shares (until 30 September 2004)	(Formerly convertible) preference shares
High	1,632.2	1.3
Low	2.1	–
Average	105.1	0.2

Geographical concentration worldwide



North America: 21.0%
Netherlands: 24.3%
United Kingdom: 17.0%
Belgium: 13.9%
Luxembourg: 6.4%
Switzerland: 6.3%
Germany: 3.8%
France: 3.0%
Others: 4.3%

Disclosure of major shareholders

(in %)	Ordinary shares	Preference shares or depository receipts
Aegon N.V.	0.08	14.33
Fortis Utrecht N.V.	0.58	16.85
Delta Lloyd Leven	0.86	17.48
ING Groep N.V.	6.57	21.29
Rabobank Nederland	0.06	12.12
De Zonnewijser (investment fund)	0.01	15.02
Capital Group International Inc.	4.57	

Credit ratings

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

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 2004.

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 2004.

Indices

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

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

Financial calendar 2005

27 April	Announcement of 2005 first quarter results
28 April	General Meeting of Shareholders
2 May	Ex-dividend quotation
2 May-18 May	Period for instructions concerning 2004 final dividend payment option
19 May (after close of trading)	Determination of share price for stock dividend
24 May	Final dividend for 2004 available
1 August	Announcement of 2005 second quarter results
31 October	Announcement of 2005 third quarter results

Financial calendar 2006

2 February	Announcement of 2005 full year results
31 March	Publication of Annual Report 2005 and 20-F
26 April	Announcement of 2006 first quarter results
27 April	General Meeting of Shareholders
31 July	Announcement of 2006 second quarter results
30 October	Announcement of 2006 third quarter results

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 US Securities and Exchange Commission. This 20-F report is published on our website.

Investor Relations

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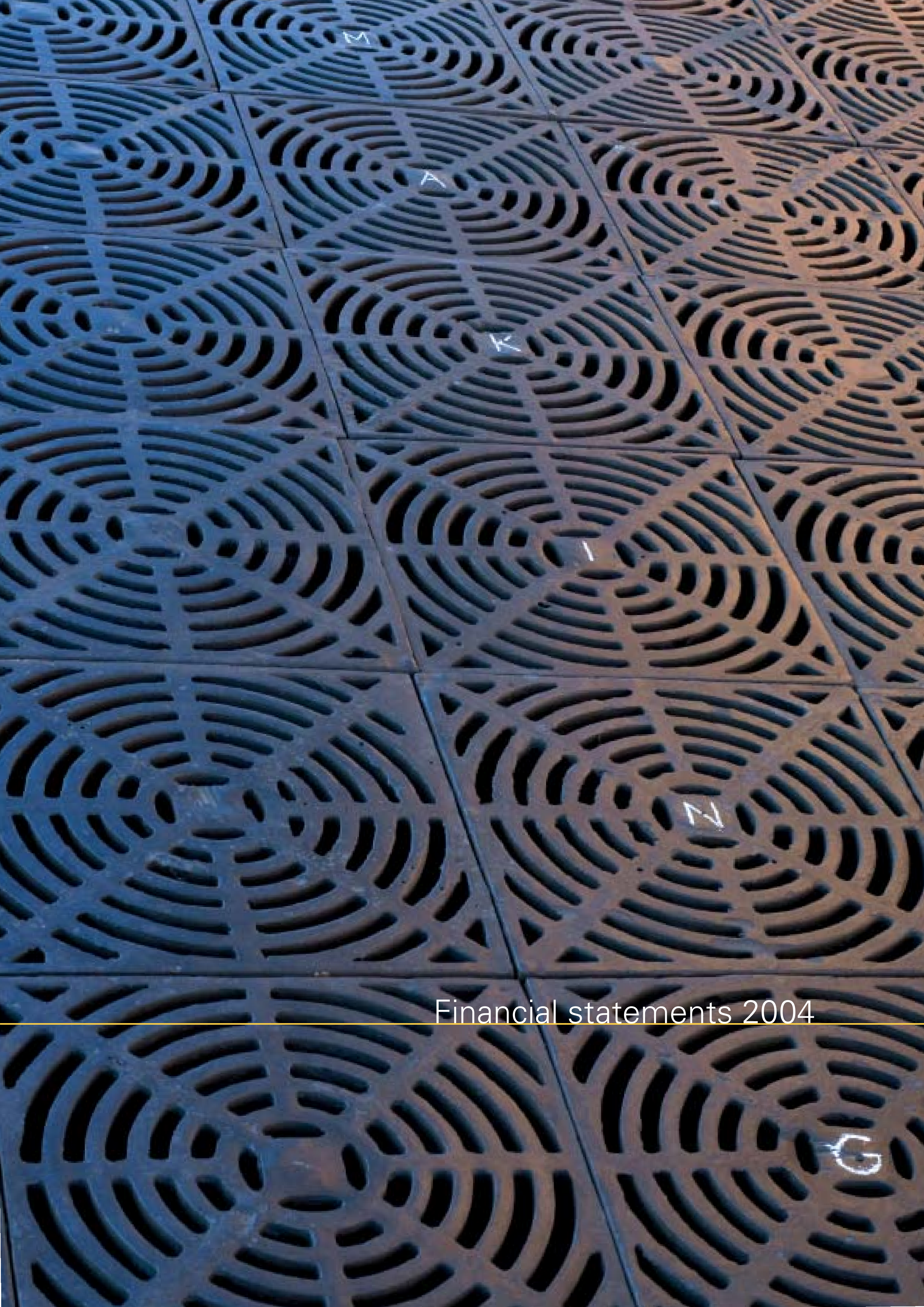
Peer group ABN AMRO

Our corporate measures of success are total return to shareholders (TRS) and average Return on Equity. The TRS is measured against those of 20 competitors that have been established as our peer group, which peer group is listed below. Our target is to be in the top 5 of our peer group at the end of every four-year cycle. At year-end 2004, our peer group position was 11. You can find a TRS graph showing our relative performance at www.abnamro.com.

- Bank One / KeyCorp*
- Barclays
- BBVA
- BNP Paribas
- BSCH
- Citigroup
- Credit Suisse Group
- Deutsche Bank
- FleetBoston / National City*
- HSBC Holdings
- HVB Group
- ING Group
- JPMorgan Chase
- Lloyds TSB
- Merrill Lynch
- Morgan Stanley
- Nordea
- Société Générale
- UBS
- Wells Fargo

* *As Bank One and FleetBoston were acquired in 2004, these financial institutions have been replaced in our peer group by KeyCorp and National City respectively*



Financial statements 2004

Contents

Accounting policies

General

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

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

Basis for inclusion of financial instruments

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

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities, revenues and expenses of ABN AMRO Holding N.V., its subsidiaries and other group companies that form an organisational and economic entity with it. A group company is an entity for which ABN AMRO has the power to govern its financial and operational policy and to obtain the majority of its benefits unless the investment is intended not to be permanent. Special purpose entities which meet these criteria, such as entities established to securitise assets bought from ABN AMRO, are treated as group company as well. Entities are consolidated from the date on which control is transferred to ABN AMRO and no longer consolidated from the date that control ceases. Minority interests in both equity and results of subsidiaries and other group companies are stated separately. Jointly-controlled entities are proportionally consolidated based on ABN AMRO's interest in such an entity.

Goodwill

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

Currency translation

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

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

Valuation and determination of results

General

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

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

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

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

Loans

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

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

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

Trading activities

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

Financial and other fixed assets

Investments

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

Shares as part of venture capital activities

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

Participating interests

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

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

Property and equipment

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

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

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

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

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

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

Mortgage servicing rights

Mortgage servicing rights are capitalised at the lower of initial carrying value, adjusted for amortisation or fair value. The amortisation is in proportion to, and over the period of, net estimated servicing income.

The carrying value includes deferred gains and losses on early terminated derivative hedges. The fair value of servicing rights is determined by estimating the present value of future net cash flows, taking into consideration prepayments speeds, discount rates, servicing costs and other economic factors. The fair value of hedges is included in evaluating possible impairment. Mortgage servicing rights are classified as other assets.

Provisions

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

Defined benefit plan pension obligations are calculated in accordance with the projected unit credit method of actuarial cost allocation. Under this method, the present value of pension and other employee benefit obligations is determined on the basis of the number of active years of service up to balance sheet date, the estimated salary scale at the time of the expected retirement date and the market rate of interest on high-quality corporate bonds.

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

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

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

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

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

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

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

Taxes

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

Consolidated balance sheet at December 2004

(in millions of euros)	**2004**	2003
Assets		
Cash **1**	**17,794**	12,734
Short-dated government paper **2,5**	**16,578**	9,240
Banks **3**	**83,710**	58,800
Loans to public sector	***5,967***	*5,489*
Loans to private sector	***233,815***	*234,776*
Professional securities transactions	***59,269***	*56,578*
Loans **4**	**299,051**	296,843
Interest-earning securities **5**	**133,869**	132,041
Shares **5**	**25,852**	16,245
Participating interests **6**	**2,309**	2,629
Property and equipment **7**	**6,798**	7,204
Other assets **8**	**15,338**	16,548
Prepayments and accrued income **9**	**7,324**	8,153
	608,623	560,437
Liabilities		
Banks **10**	**132,732**	110,887
Savings accounts	***74,256***	*73,238*
Deposits and other client accounts	***178,640***	*168,111*
Professional securities transactions	***40,661***	*48,517*
Total client accounts **11**	**293,557**	289,866
Debt securities **12**	**82,926**	71,688
Other liabilities **8**	**43,040**	33,207
Accruals and deferred income **9**	**9,776**	11,840
Provisions **13**	**13,553**	11,146
	575,584	528,634
Fund for general banking risks **14**	**1,149**	1,143
Subordinated debt **15**	**12,639**	13,900
Shareholders' equity **16**	***14,972***	*13,047*
Minority interests **17**	***4,279***	*3,713*
Group equity	**19,251**	16,760
Group capital	**33,039**	31,803
	608,623	560,437
Contingent liabilities **23**	**46,464**	42,838
Committed facilities	**145,092**	119,675

Numbers stated against items refer to the notes

Consolidated income statement for 2004

(in millions of euros)	**2004**	2003	2002
Revenue			
Interest revenue	***23,196***	*23,529*	*27,370*
Interest expense	***13,530***	*13,806*	*17,525*
Net interest revenue 26	**9,666**	9,723	9,845
Revenue from securities and participating interests **27**	**1,620**	269	369
Commission revenue	***5,452***	*5,160*	*5,421*
Commission expense	***702***	*696*	*782*
Net commissions 28	**4,750**	4,464	4,639
Results from financial transactions **29**	**2,288**	1,993	1,477
Other revenue **30**	**1,469**	2,344	1,950
Total non-interest revenue	**10,127**	9,070	8,435
Total revenue	**19,793**	18,793	18,280
Expenses			
Staff costs **31**	***7,764***	*7,080*	*7,407*
Other administrative expenses **32**	***4,962***	*4,575*	*4,647*
Administrative expenses	**12,726**	11,655	12,054
Depreciation **33**	**961**	930	1,094
Operating expenses	**13,687**	12,585	13,148
Provision for loan losses **34**	**653**	1,274	1,695
Value adjustments to financial fixed assets **36**	**2**	16	49
Total expenses	**14,342**	13,875	14,892
Operating profit before taxes	**5,451**	4,918	3,388
Taxes **37**	**1,071**	1,503	973
Group profit after taxes	**4,380**	3,415	2,415
Minority interests **38**	**271**	254	208
Net profit	**4,109**	3,161	2,207
Earnings per ordinary share **40**	**2.45**	1.94	1.39
Fully diluted earnings per ordinary share **40**	**2.45**	1.93	1.38
Dividend per ordinary share	**1.00**	0.95	0.90

Numbers stated against items refer to the notes

Consolidated cash flow statement in 2004

(in millions of euros)	**2004**	2003	2002
Group profit	**4,380**	3,415	2,415
Depreciation	**961**	930	1,006
Provision for loan losses	**653**	1,274	1,695
Movement in provisions	**953**	287	(723)
Movement in interest receivable	**513**	(1,236)	2,277
Movement in interest payable	**(1,065)**	2,092	(1,387)
Movement in current tax	**401**	226	331
Other accruals and deferrals	**350**	908	91
Government paper and securities, trading	**(20,876)**	(6,546)	(2,311)
Other securities	**(2,149)**	(1,500)	3,865
Banks, other than demand deposits	**355**	839	1,238
Loans	**(19,724)**	(4,638)	1,888
Professional securities transactions (included in loans)	**(3,498)**	(4,158)	5,890
Total client accounts	**19,735**	14,741	(3,451)
Professional securities transactions (included in total client accounts)	**(5,644)**	6,661	4,658
Debt securities, excluding debentures and notes	**(2,744)**	(4,616)	1,324
Other assets and liabilities	**7,996**	(10,673)	(14)
Net cash flow from operations / banking activities	**(19,403)**	(1,994)	18,792
Purchase of securities for investment portfolios	***(73,810)***	*(151,771)*	*(144,584)*
Sale and redemption of securities from investment portfolios	***75,224***	*148,015*	*122,697*
Net inflow / (outflow)	**1,414**	(3,756)	(21,887)
Investments in participating interests	***(322)***	*(1,010)*	*(479)*
Sale of investments in participating interests	***2,680***	*364*	*280*
Net inflow / (outflow)	**2,358**	(646)	(199)
Capital expenditure on property and equipment	***(1,046)***	*(1,563)*	*(1,292)*
Sale of property and equipment	***186***	*491*	*497*
Net (outflow)	**(860)**	(1,072)	(795)
Net cash flow from investment activities	**2,912**	(5,474)	(22,881)
Movement in group equity	**2,049**	1,281	106
Repayment of preference shares	**(1,911)**	(1,258)	0
Issue of subordinated debt	**50**	1,025	114
Repayment of subordinated debt	**(797)**	(164)	(964)
Issue of debentures and notes	**25,525**	19,426	8,815
Repayment of debentures and notes	**(8,462)**	(10,236)	(7,349)
Cash dividends paid	**(964)**	(915)	(999)
Net cash flow from financing activities	**15,490**	9,159	(277)
Cash flow	**(1,001)**	1,691	(4,366)

For details refer to note 43

Changes in shareholders' equity in 2004

(in millions of euros)	**2004**	2003	2002
Ordinary shares			
Opening balance	**919**	890	862
Exercised options and warrants	**2**	–	2
Conversion of convertible preference shares	**–**	1	1
Stock dividends	**33**	28	25
Closing balance	**954**	919	890
(Convertible) Preference shares			
Opening balance	**813**	814	815
Conversion	**–**	(1)	(1)
Redemption and issuance	**(46)**	–	–
Closing balance	**767**	813	814
Share premium account			
Opening balance	**2,549**	2,543	2,504
Exercised options and conversion	**48**	1	63
Conversion of (convertible) preference shares	**–**	1	1
Release from general reserve due to staff options	**1**	32	–
Stock dividends	**(33)**	(28)	(25)
Closing balance	**2,565**	2,549	2,543
General reserve and reserves prescribed by law			
Opening balance	**11,166**	8,933	8,161
Net profit	**4,109**	3,161	2,207
Preferred dividends	**(43)**	(45)	(46)
Cash dividends paid	**(694)**	(655)	(599)
Goodwill and dilution of minority participating interest	**30**	(425)	(201)
Impact of change in accounting policy for pension costs	**–**	–	(430)
Addition to share premium account due to staff options	**(1)**	(32)	–
Addition to / release from provision for pension obligations	**(479)**	14	(374)
Realised revaluations from revaluation reserve	**–**	–	186
Other	**(212)**	215	29
Closing balance	**13,876**	11,166	8,933
Revaluation reserves			
Opening balance	**283**	124	355
Realised revaluations to general reserve	**–**	–	(186)
Revaluations	**(79)**	159	(45)
Closing balance	**204**	283	124
Exchange differences reserve			
Opening balance	**(2,564)**	(2,098)	(476)
Currency translation differences	**(198)**	(466)	(1,622)
Closing balance	**(2,762)**	(2,564)	(2,098)
Treasury stock			
Opening balance	**(119)**	(125)	(123)
Increase (decrease)	**(513)**	6	(2)
Closing balance	**(632)**	(119)	(125)
Total shareholders' equity	**14,972**	13,047	11,081

Notes to the consolidated balance sheet and income statement

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

1 Cash

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

2 Short-dated government paper

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

3 Banks (assets)

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

	2004	2003
Reverse repos and sell-back transactions	**64,372**	40,922
Demand deposits	**3,954**	4,299
Time deposits	**11,484**	9,831
Loans to banks	**3,900**	3,748
Total banks (assets)	**83,710**	58,800

4 Loans and credit risk

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

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

Sector analysis of loans

	2004	2003
Public sector	**5,972**	5,494
Commercial	**127,381**	130,983
Retail	**109,345**	107,706
Professional securities transactions	**59,269**	56,578
Allowances for loan losses and sovereign risks	**(2,916)**	(3,918)
Loans	**299,051**	296,843

Collateral for private sector loans

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

	2004	2003
Commercial		
Public authority guarantees	**8,103**	11,382
Mortgages	**23,994**	28,074
Securities	**791**	1,006
Bank guarantees	**3,305**	3,113
Other types of collateral and unsecured	**91,188**	87,408
Total commercial loans	**127,381**	130,983
Retail		
Public authority guarantees	**151**	50
Mortgages	**82,700**	80,794
Other types of collateral and unsecured	**26,494**	26,862
Total retail loans	**109,345**	107,706

Commercial loans by industry

	2004	2003
Agriculture, mining and energy	**11,700**	11,202
Manufacturing	**23,925**	27,980
Construction and real estate	**22,539**	19,025
Wholesale and retail trade	**16,443**	18,329
Transportation and communications	**12,387**	12,966
Financial services	**19,967**	21,188
Business services	**10,310**	10,565
Education, health care and other services	**10,110**	9,728
Total commercial loans	**127,381**	130,983

Loans by region

	2004	2003
Netherlands		
Public sector	**1,025**	1,128
Commercial	**54,053**	52,990
Retail	**87,701**	84,382
Professional securities transactions	**1,370**	1,268
Total Netherlands	**144,149**	139,768
North America		
Public sector	**792**	898
Commercial	**35,474**	38,185
Retail	**12,817**	14,668
Professional securities transactions	**34,668**	38,372
Total North America	**83,751**	92,123
Rest of the world		
Public sector	**4,155**	3,468
Commercial	**37,854**	39,808
Retail	**8,827**	8,656
Professional securities transactions	**23,231**	16,938
Total Rest of the world	**74,067**	68,870
Total	**301,967**	300,761

Movements in allowances for loan losses

	2004	2003	2002
Opening balance	**4,012**	4,129	4,500
Currency translation differences and other movements	**(816)**	(331)	(590)
Write-offs	**(1,157)**	(1,343)	(1,711)
Recoveries	**170**	246	142
	2,209	2,701	2,341
Unrecognised interest	**78**	71	107
New and increased specific allowances for loan losses	***1,288***	*1,856*	*2,447*
Releases of specific allowances for loan losses	***(478)***	*(370)*	*(624)*
Recoveries	***(170)***	*(246)*	*(142)*
Net increase	**640**	1,240	1,681
Closing balance	**2,927**	4,012	4,129

Allowances for loan losses and sovereign risk

	2004	2003	2002
Allowances for loan losses	**2,927**	4,012	4,129
Allowances for sovereign risk	**219**	215	181
Total	**3,146**	4,227	4,310
Allowances can be analysed by balance sheet item as follows:			
Loans	**2,916**	3,918	4,038
Banks	**3**	8	8
Interest-earning securities	**201**	243	217
Other	**26**	58	47
Total	**3,146**	4,227	4,310

Sovereign risk

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

Analysis of sovereign risk exposure and allowances at 31 December 2004

	Exposure	Risk allowances
Latin America	300	195
Other countries	27	24
Total	327	219

Movements in sovereign risk allowances

	2004	2003	2002
Opening balance	**215**	181	345
Currency translation differences	**(12)**	(7)	(42)
Provision for loan losses	**13**	34	14
Other movements	**3**	7	(136)
Closing balance	**219**	215	181

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

Leasing

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

Future minimum finance lease instalments are scheduled to mature as follows:

	Lease instalments due
Within one year	775
After one year and within five years	1,970
After five years	1,534
Total	4,279
Total of unearned financing income	460
Residual value (not guaranteed) in favour of lessor	796

Other

The loans item includes subordinated debt amounting to EUR 41 million (2003: EUR 35 million), as well as loans securitised by the bank amounting to EUR 7.8 billion (2003: EUR 10.5 billion) in consideration of which debt paper issued is included in the balance sheet.

5 Securities

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

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

These balance sheet items can be analysed as follows:

	2004	2003
Investment portfolios	**92,906**	95,446
Trading portfolios	**70,491**	51,180
Short-dated government paper	**369**	790
Other bank paper	**5,085**	3,501
Other securities	**4,969**	4,040
Other shares	**995**	938
Equity participations	**1,484**	1,631
Total securities	**176,299**	157,526

of which:

	Listed		Unlisted	
	2004	2003	2004	2003
Public authority paper	**70,354**	71,014	**21,477**	14,743
Other interest-earning securities	**28,005**	23,086	**30,611**	32,438
Shares	**22,405**	13,983	**3,447**	2,262
Total securities	**120,764**	108,083	**55,535**	49,443

Listed securities include all securities which are traded on any stock exchange. Third parties hold legal title to part of the securities included in the portfolios. This is related to securities sold with repurchase commitments totalling EUR 9,178 million (2003: EUR 17,080 million) and securities lending transactions totalling EUR 3,740 million (2003: EUR 3,004 million). In addition, ABN AMRO borrowed securities totalling EUR 15,984 million (2003: EUR 10,536 million). These securities are not recognised in the balance sheet. The item interest-earning securities includes securities of a subordinated nature totalling EUR 888 million (2003: EUR 554 million) and non-subordinated interest-earning securities issued by group companies totalling EUR 404 million (2003: EUR 197 million).

As part of its securities brokerage activities, the bank also trades in ABN AMRO shares. In addition, shares were repurchased on the stock exchange in connection with staff options granted, Performance Share Plan and to cover positions with clients. At balance sheet date, the treasury stock position of group companies included 33.7 million ABN AMRO Holding N.V. ordinary shares. The corresponding amount of EUR 632 million has been deducted from reserves.

An amount of EUR 57,170 million is scheduled for redemption in 2005.

Investment portfolios

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

	2004			2003		
	Book value	Premiums or discounts	Fair value	Book value	Premiums or discounts	Fair value
Dutch government	**4,243**	**57**	**4,446**	4,749	77	4,895
US Treasury and US government agencies	**7,975**	**38**	**8,083**	9,859	51	10,074
Other OECD governments	**41,174**	**632**	**43,418**	38,121	822	39,802
Mortgage-backed securities	**14,441**	**118**	**14,626**	21,707	348	22,276
Other interest-earning securities	**20,280**	**10**	**20,643**	15,998	24	16,424
Total interest-earning securities and short-dated government paper	**88,113**	**855**	**91,216**	90,434	1,322	93,471
Shares	**4,793**		**4,793**	5,012		5,012
Total investment portfolios	**92,906**		**96,009**	95,446		98,483

The book value of the investment portfolios developed during 2004 as follows:

	Interest-earning	Shares
Opening balance of investment portfolios	90,206	1,255
Movements:		
• Purchases	73,182	628
• Sales	(57,354)	(733)
• Redemptions	(17,137)	–
• Acquisitions / dispositions	(47)	(35)
• Revaluations	–	(3)
• Currency translation differences	(2,476)	1
• Other	760	(375)
Closing balance of investment portfolios	87,134	738
Closing balance of policyholder accounts	979	4,055
Total investment portfolios	88,113	4,793
Revaluations included in closing balance	–	2

Premiums and discounts on the investment portfolios are amortised. The purchase price of the investment portfolios, including unamortised amounts from replacement transactions, was EUR 129 million above the redemption value.

Trading portfolios

The following table analyses the composition of the trading portfolios.

	2004	2003
Dutch government	**553**	2,219
US Treasury and US government agencies	**5,760**	8,212
Other OECD governments	**28,320**	19,242
Other interest-earning securities	**17,278**	12,843
Total interest-earning securities	**51,911**	42,516
Shares	**18,580**	8,664
Total trading portfolios	**70,491**	51,180

Other securities

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

	2004		2003	
	Book value	Fair value	Book value	Fair value
Short-dated government paper	**369**	**370**	790	788
Other bank paper	**5,085**	**5,100**	3,501	3,501
Other securities	**4,969**	**5,024**	4,040	4,075
Total interest-earning securities	**10,423**	**10,494**	8,331	8,364
Shares and equity participations	**2,479**	**2,712**	2,569	2,455
Total other securities	**12,902**	**13,206**	10,900	10,819

6 Participating interests

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

	2004	2003
Credit institutions	1,359	1,661
Other participating interests	950	968
Total participating interests	2,309	2,629
Development:		
Opening balance	2,629	2,166
Movements:		
• Purchases / increases	133	887
• Sales / reductions	(465)	(127)
• Revaluations	8	83
• Share in results of significant participations interest	62	12
• Dividends received from significant participations interest	(59)	(7)
• Currency translation differences	(55)	(184)
• Other	56	(201)
Closing balance	2,309	2,629
Revaluations included in closing balance	10	84

Participating interests with official stock exchange listings represented a book value of EUR 869 million (2003: EUR 1,225 million).

7 Property and equipment

	2004	2003
Property used in operations	2,869	3,167
Other property	2,436	2,455
Equipment	1,493	1,582
Total property and equipment	6,798	7,204

At 31 December 2004 EUR 404 million (2003: EUR 385 million) of internally-generated software was capitalised under equipment.

	Property			
	Total	Used in operations	Other	Equipment
Opening balance	7,204	3,167	2,455	1,582
Movements:				
• Purchases	1,046	233	55	758
• Sales	(186)	(93)	(26)	(67)
• Revaluations / devaluations	(32)	(32)	–	–
• Depreciation	(961)	(153)	(2)	(806)
• Acquisitions / dispositions	(481)	(99)	(280)	(102)
• Currency translation differences	(93)	(47)	(25)	(21)
• Other [1]	301	(107)	259	149
	(406)	(298)	(19)	(89)
Accumulated amounts:				
Replacement cost	11,279	4,248	2,441	4,590
Depreciation	(4,481)	(1,379)	(5)	(3,097)
Closing balance	6,798	2,869	2,436	1,493
Revaluations included in closing balance	101	101	–	–

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

Legal title to property and equipment totalling EUR 10 million (2003: EUR 27 million) is held by third parties.

Payables with respect to finance lease agreements are EUR 30 million, of which computers EUR 29 million and equipment EUR 1 million.

8 Other assets and other liabilities

These items include those amounts which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet item. This concerns, for example, current tax assets EUR 582 million (2003: EUR 267 million) and current tax liabilities EUR 1,708 million (2003: EUR 992 million), deferred tax assets EUR 1,360 million (2003: EUR 1,201 million), an intangible asset on account of unrecognised prior-service pension costs EUR 316 million (2003: EUR 368 million), options, servicing rights EUR 1,662 million (2003: EUR 1,009 million), precious metals and other goods, balances of payment transactions still to be settled, short securities positions and market value of interest rate and currency contracts as part of trading activities. Options on behalf of customers are also included EUR 169 million (2003: EUR 267 million). In general, the amounts payable and receivable included in these balance sheet headings are due within one year. The aforementioned deferred tax liabilities, the servicing rights and the intangible asset related to prior-year service costs are an exception to this.

9 Prepayments and accrued income and accruals and deferred income

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

10 Banks (liabilities)

This item comprises debts, including amounts on account of repos and buy-back transactions, to credit institutions, central banks and multilateral development banks.

	2004	2003
Repos and buy-back transactions	**56,351**	33,672
Demand deposits	**17,521**	13,954
Time deposits	**50,976**	52,015
Loans from banks	**7,884**	11,246
Total banks (liabilities)	**132,732**	110,887

11 Total client accounts

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

	2004	2003
Savings accounts	**74,256**	73,238
Corporate deposits	**79,482**	81,636
Professional securities transactions	**40,661**	48,517
Other client accounts	**99,158**	86,475
Total client accounts	**293,557**	289,866

12 Debt securities

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

	2004	2003
Debentures and notes	**63,812**	50,997
Cash notes, savings certificates and bank certificates	**3,720**	4,590
Certificates of deposit and commercial paper	**15,394**	16,101
Total debt securities	**82,926**	71,688

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

At 31 December 2004, debt securities denominated in euros amounted to EUR 48,024 million and those denominated in US dollars to EUR 23,899 million.

At 31 December 2004, the debentures and notes, originally issued in the capital market, included EUR 20,877 million of variable rate obligations. In addition, EUR 10,660 million of the debentures and notes had been converted into variable rate obligations through the use of asset-liability management derivative contracts. The average interest rate on the debentures and notes, adjusted to reflect the effect of asset-liability management derivative contracts at year-end 2004, was 3.13%.

Maturity analysis

	2004	2003
Within one year	**28,979**	31,927
After one and within two years	**7,983**	9,000
After two and within three years	**9,048**	4,014
After three and within four years	**5,329**	4,224
After four and within five years	**7,402**	2,782
After five years	**24,185**	19,741
Total debt securities	**82,926**	71,688

13 Provisions

	2004	2003
Provision for deferred tax liabilities (see note 37)	**1,229**	1,061
Provision for pension obligations (including early retirement)	**1,284**	706
Provision for contributions to health insurance after retirement	**362**	329
Other staff provisions	**448**	357
Insurance fund liabilities	**8,843**	7,845
Restructuring provisions	**752**	181
Other provisions	**635**	667
Total provisions	**13,553**	11,146

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

Provisions are generally long-term in nature.

	Other staff provisions	Restructuring	Other provisions
Opening balance	357	181	667
Movements:			
• Acquisitions / dispositions	(6)	–	(125)
• Additions from income statement	332	681	265
• Expenses charged to provisions	(256)	(109)	(219)
• Currency translation differences	(9)	(1)	3
• Other	30	–	44
Closing balance	448	752	635

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

	Pension	Health insurance combination
Opening balance	9,307	561
Movements in projected benefit obligations:		
• Service cost	306	18
• Interest cost	506	32
• Employee contributions / refunds	14	–
• Actuarial (gain) / loss	962	192
• Benefits paid	(300)	(17)
• Acquisitions / dispositions	(85)	–
• Plan amendments	7	–
• Settlement / curtailment	(4)	–
• Currency translation differences	(14)	(26)
• Other	16	–
Closing balance	10,715	760

	Pension	Health insurance combination
Opening balance	7,988	44
Movements in plan assets:		
• Actual return on plan assets	629	5
• Employee contributions / refunds	14	–
• Employer's contribution	623	17
• Benefits paid	(285)	(2)
• Acquisitions / dispositions	(133)	(18)
• Currency translation differences	(69)	–
• Other	(13)	–
Closing balance (fair value)	8,754	46

	Pension	Health insurance combination
Funded status / (deficits)	(1,961)	(714)
Unrecognised net actuarial (gain) / loss	2,233	309
Unrecognised prior-service cost	336	16
Unrecognised transition obligation	(2)	27
Prepaid / (accrued) benefit cost	606	(362)

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 2004 were as follows:

	2004	2003
Pensions		
• Discount rate	**4.7%**	5.5%
• Expected increment in salaries	**2.6%**	2.6%
• Expected return on investments	**7.0%**	7.2%
Health insurance:		
• Discount rate	**5.2%**	6.0%
• Average rise in the costs of health care	**6.8%**	6.2%

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

For the pension plans the target and actual allocation of the plan assets in 2004 were as follows:

Allocation of Plan Assets

	Target allocation	Actual allocation
Plan asset category		
• Equity securities	48%	47.7%
• Debt securities	50%	50.2%
• Real estate	1%	0.2%
• Other	1%	1.9%
Total	100%	100.0%

The total plan assets held by the Pension Funds do not include direct investments in ABN AMRO.

Forecast of Benefits Payments

2005	289
2006	297
2007	315
2008	331
2009	351
Years after 2009	2,111

The employer's contribution expected to be paid in 2005 amounts to EUR 506 million.

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

For the pension plans in the Netherlands and United Kingdom, accumulated pension obligations (excluding future salary increases) exceeded the value of pension plan assets by EUR 1,050 million as at 31 December 2004. Taking into account a receivable from the Pension Fund, an additional obligation of EUR 1,550 million has been provided for, of which EUR 1,234 million (net EUR 846 million) has been charged to shareholders' equity and EUR 316 million is recognised as an intangible asset under Other assets.

Assumptions relating to movements in health care significantly affect the amounts disclosed for contributions to post-retirement health care. An increase of 1% in the assumed movement in the costs of health care would result in the accumulated obligation for other post-retirement benefits increasing by approximately EUR 172 million as at 31 December 2004, and the net period costs of other post-retirement benefits for 2004 going up by EUR 21 million. Conversely, a decrease of 1% in the assumed movement of the costs of health care would result in the two latter amounts declining by approximately EUR 130 million and EUR 14 million, respectively.

14 Fund for general banking risks

The fund for general banking risks covers general risks associated with lending. The fund is net of tax and forms part of tier 1 capital.

	2004	2003
Opening balance	**1,143**	1,255
Movements:		
Currency translation differences	**6**	(112)
Closing balance	**1,149**	1,143

15 Subordinated debt

This item includes subordinated debentures and loans which, according to the standards applied by the Dutch central bank, qualify for the consolidated capital adequacy ratio. It comprises debt, subordinated to all other current and future liabilities of ABN AMRO Bank N.V., amounting to EUR 8,170 million (2003: EUR 8,840 million), as well as subordinated borrowings of its consolidated participating interests EUR 4,469 million (2003: EUR 5,060 million). In general, early repayment, in whole or in part, is not permitted. The average interest rate on subordinated debt was 5.6%.

Maturity analysis

	2004	2003
Within one year	**1,086**	442
After one and within two years	**1,115**	1,118
After two and within three years	**1,364**	1,136
After three and within four years	**668**	1,380
After four and within five years	**1,546**	695
After five years	**6,860**	9,129
of which		
Preference shares qualifying as tier 1 capital	***1,552***	*1,680*
Other perpetual	***2,000***	*2,136*
Total subordinated debt	**12,639**	13,900

Subordinated debt as at 31 December 2004 was denominated in euros to an amount of EUR 7,227 million and in US dollars to an amount of EUR 5,322 million, and included EUR 2,952 million of variable rate obligations.

16 Shareholders' equity

	2004	2003	2002
Share capital	**1,721**	1,732	1,704
Reserves	**13,883**	11,434	9,502
	15,604	13,166	11,206
Treasury stock	**(632)**	(119)	(125)
Total shareholders' equity	**14,972**	13,047	11,081

For further information, refer to the section on changes in shareholders' equity on page 113.

Share capital

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

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

Ordinary shares (face value EUR 0.56)	1,702,888,861
Convertible financing preference shares (face value EUR 0.56)	1,369,815,864
(Formerly convertible) preference shares (face value EUR 2.24)	44,988

On 31 December 2004, 33,686,644 ordinary shares were repurchased in connection with the Performance Share Plan and future exercise of staff options.

Within the scope of the adaptation of our corporate governance the registered preference shares outstanding at the end of 2003 with a defence function were cancelled and new registered convertible preference financing shares were issued that perform no defence function; the dividend 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.

The dividend on the 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.

Reserves

	2004	2003	2002
Share premium account	**2,565**	2,549	2,543
Revaluation reserves	**204**	283	124
Other reserves prescribed by law	**280**	280	297
General reserve	***13,255***	*10,550*	*8,336*
Expected final cash dividend to be paid to holders of ordinary shares	***341***	*336*	*300*
Exchange differences reserve	***(2,762)***	*(2,564)*	*(2,098)*
Other reserves	**10,834**	8,322	6,538
Total reserves	**13,883**	11,434	9,502

The share premium account is mainly regarded as paid-up capital for tax purposes. The share premium account relating to (formerly convertible) preference shares amounts to EUR 1 million (2003: EUR 1 million; 2002: EUR 14 million).

Due to dispositions and depreciation, EUR 105 million of the revaluation reserves is regarded as realised. The remaining part is regarded as a legal reserve.

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

Staff options

For the Managing Board members, other top executives and some 4,390 employees of ABN AMRO directly reporting to the banks' top executives (key employees), share options are an integral part of their compensation. Next to it, at a limited scale, staff in the Netherlands are offered the opportunity to acquire share options. In 2004, approximately 9,000 employees exercised the right to take share options. The exercise price of all staff options is equal to the average of the highest and lowest ordinary share price quoted on Euronext Amsterdam on the date of grant. With effect from 2002, options awarded to the Managing Board and other (top) executives are of a conditional nature. The options cannot be exercised for at least three years from the date of grant and then only if specific performance indicators have been achieved in the intervening period. If the criteria are not met, the test may be applied in up to three subsequent years. If they are not met at all within six years from the date of grant, the options will lapse. The total term of the options amounts to ten years. With effect from 2004 only one performance condition has to be met before the end of the three-year period.

The non-conditional options are not exercisable during the first three years from the date of grant. Open periods have been established for top executives and other designated persons. This category of staff is not permitted to exercise their options outside the open periods, except on the expiration date and the preceding five working days, subject to certain conditions.

In 2002, 2003 and 2004, the price of options exercised ranged from EUR 12.52 to EUR 24.32. If fully exercised, the options at year-end 2004 would have increased the number of ordinary shares by 63.1 million (see following analysis).

	Staff options (in thousands)	Average exercise price (in euros)	Low/high exercise price (in euros)
Year of expiration			
2005	5,624	21.19	17.95-24.11
2007	4,467	21.30	21.30
2008	9,508	22.72	22.34-23.14
2009	4,412	20.42	20.42
2010	898	15.06	15.06
2011	495	17.12	17.12
2012	9,500	19.12	17.46-19.53
2013	13,757	14.45	14.45-14.65
2014	14,389	18.86	18.86
Total	63,050	18.94	14.45-24.11

	2004		2003	
	Staff options (in thousands)	Average exercise price (in euros)	Staff options (in thousands)	Average exercise price (in euros)
Opening balance	**59,149**	**19.30**	58,334	21.31
Movements:				
Options granted to Managing Board members	**576**	**18.86**	608	14.45
Options granted to other top executives	**6,175**	**18.86**	8,039	14.45
Other options granted	**8,254**	**18.76**	6,249	14.54
Options exercised	**(3,160)**	**18.10**	(362)	17.34
Options expired and cancelled	**(7,944)**	**21.66**	(13,719)	22.68
Closing balance	**63,050**	**18.94**	59,149	19.30
Of which conditional	**37,646**	**17.31**	23,756	16.36
Of which vested and in the money	**1,551**	**17.95**	3,150	18.10
Of which hedged	**28,837**	**18.06**	488	17.00

If all vested rights would be exercised, shareholders' equity would increase by an amount of EUR 432 million.

Deliveries on options exercised in 2004 were made from share repurchases on the date of grant (497,512 shares) and from new shares issued on the exercise date (2,662,183).

If ABN AMRO had based the cost of staff options granted in 2004 at the fair value of the options at the date of grant instead of the intrinsic value of the options, net profit and earnings per ordinary shares would have been EUR 55 million and EUR 0.03 lower respectively.

17 Minority interests

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

	2004	2003	2002
Non-cumulative preference shares			
• Trust preferred shares with fixed dividend	**2,408**	2,170	2,382
• Other shares with fixed dividend	**259**	319	384
• Other shares with dividend step-up	**37**	40	270
Other minority interests	**1,575**	1,184	774
Total	**4,279**	3,713	3,810

	2004	2003	2002
Opening balance	**3,713**	3,810	4,556
Movements:			
Currency translation differences	**(227)**	(572)	(732)
Acquisitions / disposition	**(30)**	9	–
Extension	**367**	439	–
Issuance of preference shares	**1,447**	1,290	–
Redemption / repurchase of preference shares	**(1,057)**	(1,258)	–
Other	**66**	(5)	(14)
Closing balance	**4,279**	3,713	3,810

With respect to the minority interest in ABN AMRO Real held by the seller of Banco Sudameris Brasil, ABN AMRO has a call option and the holder of the minority interest has a put option to convert before June 2007 the minority interest into ABN AMRO Holding ordinary shares. The exercise price of this option is equal to 1.82 times the net asset value of ABN AMRO Real shares at time of exercise.

18 Capital adequacy

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

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

	2004		2003	
	Required	Actual	Required	Actual
Total capital	**18,510**	**26,048**	17,902	26,254
Total capital ratio	**8.0%**	**11.26%**	8.0%	11.73%
Tier 1 capital	**9,255**	**19,818**	8,951	18,236
Tier 1 capital ratio	**4.0%**	**8.57%**	4.0%	8.15%

19 Accounts with participating interests

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

	2004	2003
Banks (assets)	**6**	6
Loans	**134**	584
Banks (liabilities)	**171**	143
Client accounts	**279**	257

20 Maturity

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

Maturity analysis

(in billions of euros)	On demand	≤ 3m	> 3m - ≤ 1 yr	> 1 yr - ≤ 5 yr	> 5 yr
Banks (liabilities)	25	81	8	10	9
Savings accounts	27	41	3	3	0
Deposits and other client accounts (including professional securities transactions)	111	81	12	7	8
Debt securities	0	21	8	30	24
Subordinated debt	0	0	1	5	7
Banks (assets)	6	55	9	4	10
Loans (including professional securities transactions)	17	102	30	67	83

21 Currency position

Of total assets and total liabilities, amounts equivalent to EUR 420 billion and EUR 424 billion respectively are denominated in currencies other than the euro. Positions arising from balance sheet items are generally hedged by foreign exchange contracts not included in the balance sheet. The actual currency positions arising out of the bank's proprietary foreign exchange dealing activities are of limited size. Part of the currency positions, in respect of operations outside the Netherlands, is used to offset movements in required capital for foreign currency risk-bearing assets, which is also due to exchange rate fluctuations. Similar reasoning lies behind the policy of issuing preferred stock and subordinated debt in foreign currencies.

22 Collateral provided

In connection with collateral provided for specific liabilities and off-balance sheet commitments, as well as for transactions in financial markets, specific assets are not freely available. This relates to cash (EUR 7.3 billion), securities (EUR 15.9 billion) and loans (EUR 32.3 billion). Collateral has been provided for liabilities included in banks (EUR 15.9 billion), debt securities (EUR 15.5 billion) and client accounts (EUR 3.9 billion).

23 Contingent liabilities

	2004	2003
Commitments with respect to guarantees granted	**42,398**	39,434
Commitments with respect to irrevocable letters of credit	**4,051**	3,362
Commitments with respect to recourse risks arising from discounted bills	**15**	42
	46,464	42,838

24 Derivatives

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

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

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

Derivatives transactions

(in billions of euros)		Notional amounts				
		≤1 yr	>1yr – ≤5yr	> 5 yr	Total	Credit risk
Interest rate contracts						
OTC	Swaps	728	2,214	134	3,076	58
	Forwards	188	17	0	205	0
	Options	230	304	9	543	2
Exchange-traded	Futures	207	23	0	230	–
	Options	41	–	–	41	–
Currency contracts						
OTC	Swaps	387	59	26	472	22
	Forwards	489	16	0	505	11
	Options	112	7	0	119	2
Exchange-traded	Futures	4	1	–	5	–
	Options	4	–	–	4	–
Other contracts						
OTC	Forwards/Swaps	15	85	24	124	1
	Options	8	10	2	20	1
Exchange-traded	Futures	6	0	–	6	–
	Options	16	6	0	22	–
Total derivatives		2,435	2,742	195	5,372	97

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

Trading portfolio derivatives transactions in 2004

	Notional amounts	Market value		Average market value	
		Positive	Negative	Positive	Negative
Interest rate contracts					
Swaps	3,175,631	59,547	56,521	54,350	52,494
Forwards	204,118	111	89	152	114
Options purchased	367,483	3,031	–	3,787	–
Options sold	221,267	–	2,434	–	3,241
Futures	227,114	–	–	–	–
Total interest rate contracts	4,195,613	62,689	59,044	58,289	55,849
Currency contracts					
Swaps	520,951	24,066	22,597	15,202	14,278
Forwards	510,416	10,814	10,369	6,539	6,394
Options purchased	60,180	1,790	–	1,270	–
Options sold	58,915	–	1,357	–	1,084
Futures	4,765	–	–	–	–
Total currency contracts	1,155,227	36,670	34,323	23,011	21,756
Other contracts					
Equity options purchased	20,499	1,797	–	1,422	–
Equity options sold	21,732	–	1,754	–	1,345
Other equity and commodity contracts	130,546	1,534	1,645	1,272	1,388
Total other contracts	172,777	3,331	3,399	2,694	2,733

Trading portfolio derivatives transactions in 2003

	Notional amounts	Market value		Average market value	
		Positive	Negative	Positive	Negative
Interest rate contracts	3,410,355	62,897	50,781	59,599	56,717
Currency contracts	812,819	28,580	25,185	17,943	19,166
Other contracts	105,490	2,297	1,056	2,102	1,366

Hedging portfolio derivatives transactions

	2004			2003		
		Market value			Market value	
	Notional amounts	Positive	Negative	Notional amounts	Positive	Negative
Interest rate contracts						
Swaps	**152,894**	**2,085**	**2,736**	184,610	2,260	3,779
Forwards	**1,567**	**1**	**3**	1,239	1	1
Options purchased	**2,698**	**21**	**–**	2,718	17	–
Futures	**4,080**	**–**	**–**	14,172	–	3
Total interest rate contracts	**161,239**	**2,107**	**2,739**	202,739	2,278	3,783
Currency contracts						
Swaps	**53,894**	**2,009**	**2,140**	22,498	885	1,091
Forwards	**9,839**	**234**	**203**	11,757	362	345
Options purchased	**1,252**	**13**	**–**	1,440	24	–
Total currency contracts	**64,985**	**2,256**	**2,343**	35,695	1,271	1,436

Derivatives and capital adequacy requirements

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

Credit equivalent

(in billions of euros)	**2004**	2003
Interest rate contracts	**75.0**	62.3
Currency contracts	**50.5**	41.7
Other contracts	**18.9**	7.7
	144.4	111.7
Effect of contractual netting	**88.9**	65.8
Unweighted credit equivalent	**55.5**	45.9
Weighted credit equivalent	**12.2**	9.1

25 Memorandum items

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

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

For 2005, investment in property and equipment is estimated at EUR 1.0 billion, of which ABN AMRO is already committed to an amount of EUR 183 million.

Though ABN AMRO has sold a part of its loan portfolio, partly through credit-enhanced or non credit-enhanced securitisation, it still holds legal title to some of these loans. In most cases these loans are also serviced by ABN AMRO. The bank also services loans granted by other institutions. The following table states the outstandings at 31 December 2004.

Legal title to loans sold	954
Loans serviced for third parties	139,763
Loans sold with credit enhancement	74

Future rental commitments at 31 December 2004 for long-term lease contracts were as follows:

Within one year	125
After one year and within five years	349
After five years	408

26 Net interest revenue

This item comprises interest revenue from loans, investments, other lending, interest expense on borrowings by ABN AMRO and client accounts, as well as the results from interest rate and foreign exchange contracts entered into for hedging purposes. Other revenue from loans is also included. Interest revenue from interest-earning securities, including short-dated government paper, amounted to EUR 5,199 million (2003: EUR 5,061 million). Interest expense on subordinated debt totalled EUR 761 million (2003: EUR 861 million).

27 Revenue from securities and participating interests

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

	2004	2003	2002
Revenue from shares and equity participations	**155**	47	79
Revenue from participating interests	**1,465**	222	290
Total revenue from securities and participating interests	**1,620**	269	369

The 2004 figures include the profit on the sale of LeasePlan Corporation, amounting to EUR 838 million and on Bank of Asia amounting to EUR 213 million.

28 Net commissions

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

	2004	2003	2002
Securities brokerage	**1,268**	1,108	1,269
Payment services	**1,332**	1,237	1,348
Asset management and trust	**917**	813	862
Insurance	**105**	121	165
Guarantees	**215**	199	170
Leasing	**145**	175	185
Other	**768**	811	640
Total commissions	**4,750**	4,464	4,639

29 Results from financial transactions

This includes results from securities trading, foreign exchange dealing and derivatives transactions. The category Other includes currency translation differences on investments – other than those included in tangible fixed assets – in operations in hyper-inflationary countries and results from transactions in connection with hedging of the foreign currency profit.

	2004	2003	2002
Securities trading	**221**	338	492
Foreign exchange dealing	**632**	671	679
Derivatives transactions	**677**	553	388
Private equity	**351**	142	(191)
Other	**407**	289	109
Total result from financial transactions	**2,288**	1,993	1,477

30 Other revenue

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

Other revenue can be broken down as follows:

	2004	2003	2002
Mortgage banking activities	**372**	1,243	978
Property development	**243**	184	165
Leasing activities	**305**	358	339
Insurance companies	**255**	318	314
Other	**294**	241	154
Total other revenue	**1,469**	2,344	1,950

Mortgage banking activities revenue can be broken down as follows:

	2004	2003	2002
Loan servicing income and related fees	**484**	499	489
Net origination and sale revenue	**83**	874	821
Net gain on sale of servicing rights	**–**	–	45
Amortisation of mortgage servicing rights	**(195)**	(130)	(318)
Valuation provision	**–**	–	(59)
Total mortgage banking activities	**372**	1,243	978

The insurance companies achieved the following results:

	Life	Non-life
Net premium income	1,130	451
Investment income	323	62
Insurance expenses	(1,312)	(399)
Total result of insurance companies	141	114

31 Staff costs

	2004	2003	2002
Salaries (including bonuses, etc.)	**5,889**	5,318	5,415
Pension costs (including early retirement)	**433**	481	384
Health insurance after retirement	**62**	68	71
Social insurance and other staff costs	**1,380**	1,213	1,537
Total staff costs	**7,764**	7,080	7,407
Average number of employees (fte):			
Netherlands	**29,852**	30,620	34,090
Foreign countries	**76,066**	74,819	73,326
Total average number of employees (fte)	**105,918**	105,439	107,416

The 2004 figures include the Group Shared Services and Wholesale Clients restructuring charges (EUR 502 million) and the expected cost of buying off the profit sharing arrangements under the new collective labour agreement in the Netherlands (EUR 177 million).

Pension costs and contributions to health insurance for 2004 borne by the company consist of a number of items. These are shown in the following table.

	Pension	Health insurance combination
Service cost	306	18
Interest cost	506	32
Expected return on plan assets	(566)	(3)
Net amortisation of prior-service cost	55	3
Net amortisation of transition obligation	1	2
Net amortisation of net actuarial (gain) / loss	52	10
Defined benefit plans	354	62
Defined contribution plans	79	–
Total	433	62

32 Other administrative expenses

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

The 2004 figures include the Group Shared Services and Wholesale Clients restructuring charges (EUR 179 million).

ABN AMRO also leases premises and space in other buildings for its principal activities. The leases generally are renewable and provide for payment of rent and certain other occupancy expenses. Total rent expense for all contracts amounted to EUR 339 million in 2004, EUR 355 million in 2003 and EUR 334 million in 2002.

33 Depreciation

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

The 2004 figures include the Group Shared Services and Wholesale Clients restructuring charges (EUR 109 million).

34 Provision for loan losses

This item includes provisions for uncollectable outstandings.

35 Addition to the fund for general banking risks

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

36 Value adjustments to financial fixed assets

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

37 Taxes

The overall effective tax rate decreased from 30.6% in 2003 to 19.6% in 2004.

	2004	2003	2002
Dutch tax rate	**34.5%**	34.5%	34.5%
Effect of deviating tax rate in foreign countries	**(6.1%)**	(1.8%)	(4.2%)
Effect of tax-exempt revenue in the Netherlands	**(9.4%)**	(1.6%)	0.4%
Other	**0.6%**	(0.5%)	(2.0%)
Effective tax rate on operating profit	**19.6%**	30.6%	28.7%

Taxes amounted to EUR 1,071 million (2003: EUR 1,503 million), including a deferred tax income of EUR 85 million (2003: including a deferred tax expense of EUR 329 million). The total amount of taxation credited directly to shareholders' equity during the year amounted to EUR 233 million.

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

	2004	2003
Deferred tax liabilities		
Buildings	**331**	335
Pensions and other post-retirement and post-employment arrangements	**–**	255
Derivatives	**65**	287
Leases and similar financial contracts	**296**	403
Servicing rights	**496**	484
Dutch tax liability re foreign branches	**742**	592
Other	**229**	260
Total	**2,159**	2,616
Deferred tax assets		
Allowances for loan losses	**477**	400
Investment portfolios	**204**	726
Goodwill	**365**	412
Property	**95**	102
Carry-forward losses	**479**	623
Derivatives	**–**	22
Restructuring charge	**13**	15
Tax credits	**190**	17
Pensions and other post-retirement and post-employment arrangements	**99**	–
Other	**575**	581
Deferred tax assets before valuation allowances	**2,497**	2,898
Less: valuation allowances	**207**	142
Deferred tax assets after valuation allowances	**2,290**	2,756

Deferred tax assets and liabilities are discounted to their net present value on the basis of net interest where the original term of the temporary difference is longer than five years. The nominal value of deferred tax assets amounts to EUR 2,301 million and of deferred tax liabilities to EUR 2,283 million. For discounted deferred tax assets the net interest rate applied as a discount factor is 8% and the average remaining life is five years. For discounted deferred tax liabilities, the net interest rate applied as a discount factor is 4% and the average remaining life is 20 years.

The main component of the valuation allowance relates to tax carry-forward losses. The amount of deferred tax assets, likely to be recovered within one year, is EUR 241 million.

At 31 December 2004 carry-forward losses of foreign operations expire as follows:

2005	11
2006	20
2007	5
2008	78
2009	48
Years after 2009	1,480
Indefinitely	430
Total	2,072

ABN AMRO considers approximately EUR 7.4 billion in distributable invested equity of foreign operations to be permanently invested. If retained earnings were distributed no foreign income taxes would have to be paid. The estimated impact of foreign withholding tax is EUR 223 million.

38 Minority interests

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

	2004	2003	2002
Dividends on preference shares	**190**	215	173
Other minority interests	**81**	39	35
Total minority interests	**271**	254	208

39 Consolidated statement of comprehensive net profit

	2004	2003	2002
Net profit	**4,109**	3,161	2,207
Other components of comprehensive net profit:			
• Unrealised revaluations	**3**	159	(45)
• Currency translation differences	**(198)**	(466)	(1,622)
• Goodwill	**30**	(425)	(81)
• Addition to / release from provision pension obligation	**(479)**	14	(374)
• Dilution gain / (loss)	**–**	207	(120)
• Other movements	**(8)**	6	–
Net profit not recognised in the consolidated income statement	**(652)**	(505)	(2,242)
Realised revaluations released to the income statement	**(82)**	–	–
Impact of changes in accounting policies (pension costs)	**(58)**	–	(430)
Comprehensive net profit	**3,317**	2,656	(465)

Comprehensive net profit for the period includes all movements in shareholders' equity during the year other than an enlargement of share capital and distributions to shareholders. The dilution gain / loss relates to the increase and decrease respectively of ABN AMRO's share in consolidated participating interests resulting from increases in the capital of these companies. Insofar as realised revaluations are recognised in the net profit, an adjustment needs to be made for the purpose of determining comprehensive net profit. This is done on the line realised revaluation in the income statement. Failing this adjustment, an unrealised gain from a prior financial year which formed part of the comprehensive net profit in that year, would be reported again as total net profit in the year of realisation, but then as part of the ordinary net profit.

40 Earnings per ordinary share

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

	2004	2003
Net profit	**4,109**	3,161
Dividends on preference shares	**43**	45
Net profit attributable to ordinary shareholders	**4,066**	3,116
Dividends on convertible preference shares	**0**	0
Fully diluted net profit	**4,066**	3,116
Weighted average number of ordinary shares outstanding (in millions)	**1,657.6**	1,610.2
Dilutive effect of staff options (in millions)	**0.0**	0.0
Performance Share Plan (in millions)	**3.0**	4.9
Diluted average number of ordinary shares (in millions)	**1,660.6**	1,615.1
Basic earnings per share (in euros)	**2.45**	1.94
Fully diluted earnings per share (in euros)	**2.45**	1.93

41 Segment information

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

	Net turnover			Total revenue		
	2004	2003	2002	**2004**	2003	2002
Consumer & Commercial Clients	**16,008**	16,585	18,614	**10,275**	10,586	10,299
Of which:						
• *Netherlands*	***5,406***	*5,804*	*6,445*	***3,201***	*3,344*	*3,108*
• *North America*	***4,605***	*5,593*	*6,417*	***3,575***	*4,505*	*4,518*
• *Brazil*	***3,183***	*2,784*	*3,625*	***1,999***	*1,694*	*1,736*
• *New Growth Markets*	***904***	*600*	*640*	***826***	*496*	*527*
• *Bouwfonds*	***1,910***	*1,804*	*1,487*	***674***	*547*	*410*
Wholesale Clients	**11,418**	11,411	12,647	**5,374**	5,293	5,296
Private Clients	**1,952**	1,654	1,717	**1,092**	937	894
Asset Management	**733**	592	630	**595**	496	529
Group Functions	**3,130**	2,079	2,124	**1,766**	668	469
	33,241	32,321	35,732	**19,102**	17,980	17,487
LeasePlan Corporation	**784**	974	855	**691**	813	793
Total	**34,025**	33,295	36,587	**19,793**	18,793	18,280

	Operating profit before taxes			Risk-weighted total assets		
	2004	2003	2002	**2004**	2003	2002
Consumer & Commercial Clients	**2,927**	3,308	2,754	**145,729**	141,360	142,550
Of which:						
• *Netherlands*	***301***	*577*	*409*	***55,692***	*52,634*	*54,223*
• *North America*	***1,378***	*1,941*	*1,734*	***53,734***	*55,263*	*61,669*
• *Brazil*	***475***	*365*	*344*	***9,300***	*7,819*	*5,955*
• *New Growth Markets*	***400***	*131*	*70*	***4,404***	*5,940*	*6,006*
• *Bouwfonds*	***373***	*294*	*197*	***22,599***	*19,704*	*14,697*
Wholesale Clients	**507**	503	(324)	**73,638**	61,554	67,236
Private Clients	**239**	176	207	**7,168**	6,027	6,104
Asset Management	**153**	101	108	**1,190**	695	647
Group Functions	**1,419**	583	411	**3,656**	3,950	2,885
	5,245	4,671	3,156	**231,381**	213,586	219,422
LeasePlan Corporation	**206**	247	232	**–**	10,190	10,150
Total	**5,451**	4,918	3,388	**231,381**	223,776	229,572

	Total liabilities			Total depreciation		
	2004	2003	2002	**2004**	2003	2002
Consumer & Commercial Clients	**192,448**	196,540	200,906	**516**	546	659
Of which:						
• *Netherlands*	***85,715***	*86,303*	*85,496*	***297***	*301*	*396*
• *North America*	***63,920***	*68,792*	*81,507*	***128***	*135*	*140*
• *Brazil*	***11,339***	*10,347*	*6,701*	***60***	*67*	*81*
• *New Growth Markets*	***3,579***	*5,816*	*5,974*	***16***	*33*	*31*
• *Bouwfonds*	***27,895***	*25,282*	*21,228*	***15***	*10*	*11*
Wholesale Clients	**301,839**	253,644	243,354	**291**	264	249
Private Clients	**47,808**	42,970	40,528	**58**	43	31
Asset Management	**1,133**	1,364	1,015	**24**	23	14
Group Functions	**46,144**	44,214	51,098	**41**	16	17
	589,372	538,732	536,901	**930**	892	970
LeasePlan Corporation	**–**	4,945	4,526	**31**	38	36
Total	**589,372**	543,677	541,427	**961**	930	1,006

	Total property investment			Revenue from securities and participating interests		
	2004	2003	2002	**2004**	2003	2002
Consumer & Commercial Clients	**684**	1,290	868	**407**	192	117
Of which:						
• *Netherlands*	***243***	*224*	*445*	***16***	*108*	*15*
• *North America*	***282***	*882*	*269*	***111***	*36*	*42*
• *Brazil*	***118***	*99*	*66*	***11***	*2*	*11*
• *New Growth Markets*	***31***	*74*	*76*	***266***	*40*	*45*
• *Bouwfonds*	***10***	*11*	*12*	***3***	*6*	*4*
Wholesale Clients	**262**	166	320	**163**	66	139
Private Clients	**50**	53	49	**16**	2	4
Asset Management	**8**	6	0	**39**	4	1
Group Functions	**13**	11	5	**991**	(4)	103
	1,017	1,526	1,242	**1,616**	260	364
LeasePlan Corporation	**29**	37	50	**4**	9	5
Total	**1,046**	1,563	1,292	**1,620**	269	369

42 Managing Board and Supervisory Board

Remuneration policy

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

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

In addition there are a number of defined benefits.

Base salary

A common base salary applies to all Managing Board members except the Chairman, to whom a 40% differential applies. In addition to the base salary, the non-Dutch Board member receives a market competitive allowance. Salaries are reviewed annually with adjustments taking effect from 1 January. Managing Board base salaries were not adjusted in 2004 and have remained at the same level since 2001. The gross annual base salary in 2004 was EUR 635,292 for the Managing Board Members and EUR 889,410 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 SBU 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 an SBU is based for 75% on Group performance and 25% on SBU performance.

In 2004 objectives such as Economic Profit, cost income ratio and tier 1 ratio were used to measure quantitative corporate and SBU performance. In addition qualitative objectives are set such as increasing customer satisfaction and reaching strategic milestones. Specific annual performance targets are not disclosed as they are considered competitively sensitive.

If the quantitative performance objectives are fully met, bonuses will range between 60% and 75% of base salary, with upper limits of 100% for outstanding performance and an absolute maximum of 125%. The Nomination & Compensation Committee may, on the basis of their assessment of a Managing Board member's individual performance against qualitative performance objectives, adjust the bonus outcome upwards or downwards within a range of plus or minus 20% of base salary. The 2004 performance bonuses for Managing Board members have been set on this basis. The individual bonus awards are shown in the table on page 152. The average actual bonus with respect to 2004 was just under 91% of base salary (2003: just under 90%).

ABN AMRO Share Investments and Matching Plan

In 2004 Shareholders' approval was obtained to encourage executive share ownership. Under this plan, the Board members may defer part of their bonus (up to 25% of base salary) into ABN AMRO Holding N.V. shares, on the understanding that when they remain in service for a further three years they will receive a matching award of one ABN AMRO share for each one they acquired via their bonus three years earlier. The deferred 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.

Share options

Share options have been an integral part of ABN AMRO Top Executives' compensation for several years. In 2004 shareholders approved the Supervisory Board's proposal to adjust the performance criteria and retesting possibility for the options granted to the Managing Board. The 2002 and 2003 option grants were subject to meeting two Performance Conditions linked to Return on Equity (ROE) and Economic Profit growth. In addition there was the opportunity to re-apply the performance test over three future years after the three-year performance cycle.

For the 2004 options it was proposed to shareholders to link the Performance Condition to ROE only, and to abandon the opportunity to re-apply the test. The shareholders approved this proposal. Also, given the desire to maintain alignment between the Managing Board and other participants in the ABN AMRO Stock Option Plan, the Managing Board has decided to continue to apply its own performance conditions to the other participants – Top Executives and key employees – as well.

The single performance condition for the options granted in 2004 is that ROE in accordance with the International Financial Reporting Standards (IFRS) must be equal to, or greater than, 15% in the financial year 2006. This means that if this condition is not met over the initial three-year performance period, the options will lapse.

The five Managing Board members received 90,000 conditional options each and the Chairman of the Managing Board 126,000 options. The other 294 Top Executives received 6.2 million share options and 4,390 key employees received 7.7 million share options under the ABN AMRO Stock Option Plans.

The five-year options granted in 1999 with an exercise price of EUR 18.10 expired in 2004. In 2005 no options will expire, as the options as granted in 2000 were seven-year options expiring in 2007.

Performance Share Plan

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

In 2004 Managing Board members received a conditional award of 50,000 shares and the Chairman 70,000 shares. The number of shares awarded will be based on the bank's performance during the four-year performance period, defined as the year of grant and three subsequent years. For the purpose of this plan, the bank's performance is measured in terms of the TRS generated by the bank relative to the TRS generated by the peer group of 20 financial institutions. A second condition is that the recipient is still in service with the Group at the end of the performance period.

The 2004 conditional share award is subject to the same vesting schedule 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 four-year performance cycle for the conditional shares as awarded in 2001 came to a close at the end of the 2004, and ABN AMRO's position in the peer group was 11th. This means that the conditional share award made in 2001 will not result in any share grant, as the vesting scheme only starts paying out if the position reached is tenth or higher.

Pension

The Managing Board members participate in a pension scheme which combines defined contribution with certain guarantees. Contributions are made by the employer. The normal retirement age is 62. The ABN AMRO Pension Fund manages the pension plan.

From 1 November 2003, pension accrual is based on the 2000 pension scheme without any additional entitlements based on guarantees from earlier arrangements. The Managing Board's pensionable salary is 100% of annual base salary.

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 existing representation allowance of EUR 4,084 net for Managing Board members and EUR 5,445 net for the Chairman to cover non-reimbursable expenses was abolished in 2004.

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	
	2004	2003	**2004**	2003
Periodic payments	**4,558**	4,581	**767**	717
Profit-sharing and bonus payments	**3,680**	3,625	**0**	0
Future benefits	**1,148**	1,201	**0**	0
ABN AMRO staff options (conditional, granted options) 1	**576,000**	608,000	**0**	0
ABN AMRO shares (conditional, granted) 1	**320,000**	448,000	**0**	0
ABN AMRO staff options (outstanding) 1	**2,382,251**	2,003,675	**0**	0
ABN AMRO shares (cumulative conditionally granted, outstanding) 1	**1,216,000**	1,344,000	**0**	0
ABN AMRO shares (owned) 1	**72,668**	61,189	**27,173**	18,209
Loans (outstanding)	**9,362**	9,206	**2,285**	2,285

1 *Number of shares / options*

The following tables summarise salaries, other periodic rewards and bonuses of individual Managing Board members.

(in thousands of euros)	2004				2003			
	Base salary	1 Other periodic payment	Bonus	Pension costs 2	Base salary	1 Other periodic payment	Bonus	Pension costs 2
R.W.J. Groenink	**889**	**4**	**805**	**225**	889	9	845	224
W.G. Jiskoot	**635**	**3**	**575**	**158**	635	7	550	155
T. de Swaan	**635**	**13**	**575**	**181**	635	18	575	260
J.Ch.L. Kuiper	**635**	**15**	**575**	**228**	635	19	600	229
C.H.A. Collee	**635**	**3**	**575**	**140**	635	6	505	140
H.Y. Scott-Barrett	**635**	**454**	**575**	**216**	635	458	550	193

1 *Other periodic payments comprise contributions towards private health insurance and foreigner allowance. Mr Scott-Barrett received a foreigner allowance of EUR 454 in 2004 and 2003*

2 *Pension costs exclusively comprise pension service cost and post-retirement service cost computed on the basis of the FAS 87 and FAS 106 standards*

The following tables reflect movements in option holdings of the Managing Board as a whole and of individual Board members. The conditions governing the grant of options are included in note 16.

	2004		2003	
	Options held by Managing Board	Average exercise price (in euros)	Options held by Managing Board	Average exercise price (in euros)
Movements:				
Opening balance	**2,003,675**	**18.76**	1,476,533	20.66
Options granted	**576,000**	**18.86**	608,000	14.45
Options exercised / cancelled	**197,424**	**18.13**	80,858	21.04
Closing balance	**2,382,251**	**18.84**	2,003,675	18.76

	Opening balance	Exercise price (in euros)	Granted 1	Exercised/ cancelled	Closing balance	Stock price on exercise date	Year of expiration
R.W.J. Groenink							
Executive 1999	40,000	18.10		40,000		18.47	
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2,3	112,000	19.53			112,000		2012
Executive 2003 2	133,000	14.45			133,000		2013
Executive 2004 2		18.86	126,000		126,000		2014
AOR 1999	356	21.68		356	0		
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	401,277		126,000	40,356	486,921		
W.G. Jiskoot							
Executive 1999	40,000	18.10		40,000	0	18.59	
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 2,3	80,000	19.53			80,000		2012
Executive 2003 2	95,000	14.45			95,000		2013
Executive 2004 2		18.86	90,000		90,000		2014
AOR 1999	356	21.68		356	0		
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	331,277		90,000	40,356	380,921		

1 *The exercise price of the options granted is the average ABN AMRO share price on 13 February 2004*
2 *Conditionally granted*
3 *Vested on 25 February 2005*

	Opening balance	Exercise price (in euros)	Granted [1]	Exercised/ cancelled	Closing balance	Stock price on exercise date	Year of expiration
T. de Swaan							
Executive 1999	40,000	18.10		40,000	0	18.59	
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 [2,3]	80,000	19.53			80,000		2012
Executive 2003 [2]	95,000	14.45			95,000		2013
Executive 2004 [2]		18.86	90,000		90,000		2014
AOR 1999	356	21.68		356	0		
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	331,277		90,000	40,356	380,921		
J.Ch.L. Kuiper							
Executive 1999	28,000	18.10		28,000	0	18.59	
Executive 2000	60,000	21.30			60,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 [2,3]	80,000	19.53			80,000		2012
Executive 2003 [2]	95,000	14.45			95,000		2013
Executive 2004 [2]		18.86	90,000		90,000		2014
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	318,567		90,000	28,000	380,567		
C.H.A. Collee							
Executive 1999	28,000	18.10		28,000	0	18.57	
Executive 2000	56,000	21.30			56,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 [2,3]	80,000	19.53			80,000		2012
Executive 2003 [2]	95,000	14.45			95,000		2013
Executive 2004 [2]		18.86	90,000		90,000		2014
AOR 1999	356	21.68		356	0		
AOR 2000	354	22.23			354		2005
AOR 2001	271	22.34			271		2008
AOR 2002	296	20.42			296		2009
	315,277		90,000	28,356	376,921		
H.Y. Scott-Barrett							
Executive 1999	20,000	18.10		20,000	0	18.63	
Executive 2000	56,000	21.30			56,000		2007
Executive 2001	55,000	23.14			55,000		2008
Executive 2002 [2,3]	80,000	19.53			80,000		2012
Executive 2003 [2]	95,000	14.45			95,000		2013
Executive 2004 [2]		18.86	90,000		90,000		2014
	306,000		90,000	20,000	376,000		

1 *The exercise price of the options granted is the average ABN AMRO share price on 13 February 2004*
2 *Conditionally granted*
3 *Vested on 25 February 2005*

The following table shows movements in shares awarded conditionally in 2004 under the Performance Share Plan. The conditional award is based on the bank ranking fifth in the peer group. The number of shares awarded depends on the ranking of the ABN AMRO share in the peer group at the end of the four-year performance period and may range from 0% to 150% of these numbers.

	Opening balance	Granted	Un-conditional	Expired/ cancelled	Closing balance	Reference period
R.W.J. Groenink	98,000			98,000	0	2001-2004
	98,000				98,000	2002-2005
	98,000				98,000	2003-2006
		70,000			70,000	2004-2007
W.G. Jiskoot	70,000			70,000	0	2001-2004
	70,000				70,000	2002-2005
	70,000				70,000	2003-2006
		50,000			50,000	2004-2007
T. de Swaan	70,000			70,000	0	2001-2004
	70,000				70,000	2002-2005
	70,000				70,000	2003-2006
		50,000			50,000	2004-2007
J.Ch.L. Kuiper	70,000			70,000	0	2001-2004
	70,000				70,000	2002-2005
	70,000				70,000	2003-2006
		50,000			50,000	2004-2007
C.H.A. Collee	70,000			70,000	0	2001-2004
	70,000				70,000	2002-2005
	70,000				70,000	2003-2006
		50,000			50,000	2004-2007
H.Y. Scott-Barrett	70,000			70,000	0	2001-2004
	70,000				70,000	2002-2005
	70,000				70,000	2003-2006
		50,000			50,000	2004-2007

ABN AMRO ordinary shares held by Managing Board members 1

	2004	2003
R.W.J. Groenink	**18,334**	16,561
W.G. Jiskoot	**19,730**	18,602
T. de Swaan	**6,850**	6,458
J.Ch.L. Kuiper	**7,973**	2,803
C.H.A. Collee	**697**	657
H.Y. Scott-Barrett	**19,084**	16,108
Total	**72,668**	61,189

1 *No (formerly convertible) preference shares were held by any Managing Board member*

Loans from ABN AMRO to Managing Board members

(in thousands of euros)	2004		2003	
	Outstanding on 31 Dec.	Interest rate	Outstanding on 31 Dec.	Interest rate
R.W.J. Groenink	**2,985**	**3.63**	3,071	3.55
W.G. Jiskoot	**1,674**	**3.94**	1,681	4.14
T. de Swaan	**1,407**	**2.25** [1]	1,407	2.35 [1]
J.Ch.L. Kuiper	**655**	**3.87**	655	3.87
C.H.A. Collee [2]	**2,641**	**3.29**	2,392	3.03

1 *Variable rate*
2 *Redemption 2004 EUR 12*

The decrease in outstandings between 31 December 2003 and 31 December 2004 is caused by redemptions.

The table on the next page 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 applies, which is EUR 7,500 per membership 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 there is a general allowance for the Supervisory Board members who do not live in The Netherlands which is 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)	2004	2003
A.A. Loudon	**63**	70
M.C. van Veen	**60**	60
W. Dik	**48**	45
A. Burgmans	**48**	48
D.R.J. Baron de Rothschild 1	**40**	40
Mrs L.S. Groenman	**40**	40
Mrs T.A. Maas-de Brouwer	**48**	48
A.C. Martinez 1	**48**	45
M.V. Pratini de Moraes 1	**40**	27
P. Scaroni 1	**40**	27
Lord Sharman of Redlynch 1	**48**	32
A.A. Olijslager	**27**	–
P.J. Kalff 2	**–**	40
W. Overmars 3	**–**	16
C.H. van der Hoeven 3	**–**	15

1 *Excluding an attendance fee*
2 *Mr Kalff resigned on 30 October 2003*
3 *Messrs Overmars and Van der Hoeven resigned on 29 April 2003*

ABN AMRO ordinary shares held by Supervisory Board members 1

	2004	2003
A.A. Loudon	**5,147**	–
M.C. van Veen	**1,256**	1,184
A. Burgmans	**9,165**	8,641
A.C. Martinez 2	**3,000**	3,000
M.V. Pratini de Moraes 2	**5,384**	5,384
A.A. Olijslager	**3,221**	–
Total	**27,173**	18,209

1 *No (formerly convertible) preference shares were held by any Supervisory Board member*
2 *ADRs*

Loans from ABN AMRO to Supervisory Board members

(in thousands of euros)	2004		2003	
	Outstanding on 31 Dec.	Interest rate	Outstanding on 31 Dec.	Interest rate
W. Dik	**185**	**3.70**	185	3.70
A. Burgmans	**2,100**	**3.60**	2,100	3.60

Top Executive Compensation 2004

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 381,000
- 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 2004 performance year was EUR 625,000. 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 stock options and the Performance Share Plan. Long-term incentives are set at a lower level than the applicable yearly grants to Managing Board members under the Top Executive Stock Option and Performance Share Plan. All SEVPs receive identical grants.

In addition, a number of benefits apply linked to the respective markets and countries of residence.

43 Cash flow statement

The cash flow statement, based on the indirect method, gives details of the source of liquid funds which became available during the year and the application of the liquid funds over the course of the year. The cash flows are analysed into cash flows from operations / banking activities, investment activities and financing activities. Liquid funds include cash in hand, net credit balances on current accounts with other banks and net demand deposits with central banks. Movements in loans, total client accounts and interbank deposits are included in the cash flow from banking activities. Investment activities comprise purchases, sales and redemptions in respect of investment portfolios, as well as investments in and sales of participating interests, property and equipment. The issue of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

	2004	2003	2002
Cash	**17,794**	12,734	9,455
Bank balances (debit)	**3,949**	4,293	3,843
Bank balances (credit)	**(13,248)**	(8,134)	(5,797)
Liquid funds	**8,495**	8,893	7,501
Movements:			
Opening balance	**8,893**	7,501	13,653
Cash flow	**(1,001)**	1,691	(4,366)
Currency translation differences	**603**	(299)	(1,786)
Closing balance	**8,495**	8,893	7,501

Interest paid amounted to EUR 14,595 million; tax payments amounted to EUR 511 million.

Dividends received from participating interests amounted to EUR 66 million in 2004, EUR 30 million in 2003 and EUR 42 million in 2002.

The following table analyses movements resulting from acquisitions and dispositions.

	2004	2003	2002
Amounts paid / received in cash and cash equivalents on acquisitions / dispositions	**(2,446)**	913	205
Net movement in cash and cash equivalents	**(88)**	267	6
Net movement in assets and liabilities:			
Banks	**(454)**	130	105
Loans	**(12,435)**	1,905	420
Securities	**(342)**	781	70
Other assets	**(1,201)**	407	21
Total assets	**(14,432)**	3,223	616
Banks	**(8,229)**	1,050	81
Saving accounts	**(2,005)**	313	–
Total client accounts	**(1,277)**	1,581	469
Debt securities	**(1,454)**	10	–
Subordinated debt	**(40)**	–	–
Other liabilities	**(1,484)**	462	49
Total liabilities	**(14,489)**	3,416	599

44 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in transactions between two parties, other than in a forced sale or liquidation, and is best reflected by a quoted market price, if available. Most of ABN AMRO's assets, liabilities and off-balance sheet items are financial instruments. Wherever possible, market rates have been used to determine fair values.

However, for the majority of financial instruments, principally loans, deposits and OTC derivatives, fair values are not readily available since there is no market where these instruments are traded. For these instruments estimation techniques have been used. These methods are subjective in nature and involve assumptions, such as the period the financial instruments will be held, the timing of future cash flows and the discount rate to be applied. As a result, the approximate fair values presented below may not be indicative of the net realisable value. In addition, the calculation of approximate fair values is based on market conditions at a specific time and may not reflect future fair values.

The approximate fair values as stated by financial institutions are not mutually comparable due to the wide range of different valuation techniques and the numerous estimates. The lack of an objective valuation method means that approximate fair values are highly subjective. Readers should therefore exercise caution in using the information disclosed in this note for comparing the consolidated financial position of ABN AMRO with that of other financial institutions.

	31 December 2004		31 December 2003	
	Book value	Fair value	Book value	Fair value
***Assets** (incl. off-balance sheet items)*				
• Cash	**17,794**	**17,794**	12,734	12,734
• Short-dated government paper 1,2	**16,578**	**16,565**	9,240	9,259
• Banks	**83,710**	**83,696**	58,800	59,050
• Loans to public sector	**5,967**	**5,967**	5,489	5,494
• Loans to private sector – commercial loans and professional securities transactions	**184,272**	**185,011**	184,214	184,659
• Loans to private sector – retail	**108,812**	**113,783**	107,140	110,635
• Interest-earning securities 1,3	**134,724**	**137,056**	133,363	135,092
• Shares 4	**25,852**	**26,085**	16,245	16,131
• Derivatives	**97,512**	**98,054**	88,702	89,504
Total	**675,221**	**684,011**	615,927	622,558
***Liabilities** (incl. off-balance sheet items)*				
• Banks	**132,732**	**132,819**	110,887	111,078
• Savings accounts	**74,256**	**75,144**	73,238	73,630
• Corporate deposits	**79,482**	**79,482**	81,636	81,779
• Other client accounts	**139,819**	**139,818**	134,992	135,099
• Debt securities	**82,926**	**84,642**	71,688	71,797
• Subordinated debt	**12,639**	**13,286**	13,900	14,555
• Derivatives	**92,959**	**93,460**	74,277	74,619
Total	**614,813**	**618,651**	560,618	562,557

1 *Book values of short-dated government paper and interest-earning securities are equal to amortised cost*
2 *Of which EUR 11,080 million was included in the trading portfolio at 31 December 2004*
3 *Of which EUR 40,831 million was included in the trading portfolio at 31 December 2004*
4 *Of which EUR 18,580 million was included in the trading portfolio at 31 December 2004*

45 Acquisitions

In January 2004, the acquisition of Bethmann Maffei was successfully completed. The seller of the company was Hypovereinsbank. Total assets under management of Bethmann Maffei amounted to EUR 4.8 million at the date of acquisition. The private bank was subsequently merged with Delbrück & Co, which was acquired in December 2002. An amount of EUR 42 million of goodwill was paid on a total purchase of EUR 110 million. Goodwill paid has been charged directly to shareholders' equity.

Company balance sheet at 31 December 2004 after profit appropriation

(in millions of euros)	**2004**	2003
Assets		
Banks a	**–**	437
Interest-earning securities b	**10**	20
Participating interests in group companies c	**15,232**	12,656
Prepayments and accrued income e	**0**	8
	15,242	13,121
Liabilities		
Banks a	**240**	0
Deposits and other client accounts	**20**	21
Other liabilities d	**10**	53
Accruals and deferred income e	**0**	0
	270	74
Share capital	***1,721***	*1,732*
Share premium account	***2,565***	*2,549*
Revaluation reserves	***204***	*283*
Reserves prescribed by law and articles of association	***280***	*280*
Other reserves	***10,202***	*8,203*
Shareholders' equity	**14,972**	13,047
Own capital	**14,972**	13,047
	15,242	13,121

Company income statement for 2004

(in millions of euros)	**2004**	2003	2002
Profits of participating interests after taxes	**4,107**	3,159	2,199
Other profit after taxes	**2**	2	8
Net profit	**4,109**	3,161	2,207

Drawn up in accordance with section 2:402 of the Netherlands Civil Code
Letters stated against items refer to the notes

Notes to the company balance sheet and income statement

(all amounts are in millions of euros)

a Banks

This item includes call loans to and other interbank relations with Group companies.

b Interest-earning securities

The amount included in this item represents securitised receivables, such as commercial paper.

c Participating interests in group companies

Dividends payable by ABN AMRO Bank N.V to ABN AMRO Holding N.V. amounted to EUR 1,751 million (2003: EUR 677 million). Dividends received by ABN AMRO Bank N.V. from subsidiaries amounted to EUR 657 million (2003: EUR 335 million).

	2004	2003	2002
Development:			
Opening balance	**12,656**	10,665	11,817
Movements (net)	**2,576**	1,991	(1,152)
Closing balance	**15,232**	12,656	10,665

d Other liabilities

This item includes those amounts which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet item. This concerns, for example, interest receivable.

e Prepayments and accrued income and accruals and deferred income

These items include revenue and expenses recognised in the period under review, the actual receipt or payment of which falls in a different period.

f Share capital and reserves

For details refer to note 16.

g Guarantees

ABN AMRO Holding N.V. guarantees all liabilities of ABN AMRO Bank N.V.

Amsterdam, 17 March 2005

Supervisory Board
A.A. Loudon
M.C. van Veen
W. Dik
A. Burgmans
D.R.J. Baron de Rothschild
Mrs L.S. Groenman
Mrs T.A. Maas-de Brouwer
A.C. Martinez
M.V. Pratini de Moraes
P. Scaroni
Lord Sharman of Redlynch
A.A. Olijslager

Managing Board
R.W.J. Groenink
W.G. Jiskoot
T. de Swaan
J.Ch.L. Kuiper
C.H.A. Collee
H.Y. Scott-Barrett

Major subsidiaries and participating interests

(Unless otherwise stated, the bank's interest is 100% or almost 100%, on 17 March 2005. 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 Assurantie Holding B.V., Zwolle
ABN AMRO Bouwfonds Nederlandse Gemeenten N.V., Hoevelaken (per April 1, 2005 voting right 100%)
ABN AMRO Effecten Compagnie B.V., Amsterdam
ABN AMRO Mellon Global Securities B.V., Amsterdam (50%)(b)
ABN AMRO Participaties B.V., Amsterdam
ABN AMRO Projectontwikkeling B.V., Amsterdam
ABN AMRO Trustcompany (Nederland) B.V., Amsterdam
ABN AMRO Ventures B.V., Amsterdam
Amstel Lease Maatschappij N.V., Utrecht
Delta Lloyd ABN AMRO Verzekeringen Holding B.V., Zwolle (49%)(a)
Dishcovery Horeca Expl. Mij B.V., Amsterdam
Hollandsche Bank-Unie N.V., Rotterdam
IFN Group B.V., Rotterdam
Nachenius, Tjeenk & Co. N.V., Amsterdam
Solveon Incasso B.V., Utrecht
Stater N.V., Hoevelaken
(60% ABN AMRO Bank N.V., 40% ABN AMRO Bouwfonds Nederlandse Gemeenten N.V.)

Outside the Netherlands

Europe

ABN AMRO Asset Management Ltd., London
ABN AMRO Asset Management (Czech) a.s., Brno
ABN AMRO Asset Management (Deutschland) A.G., Frankfurt am Main
ABN AMRO Bank A.O., Moscow
ABN AMRO Bank (Deutschland) A.G., Frankfurt am Main
ABN AMRO Bank (Luxembourg) S.A., Luxembourg
  ABN AMRO Trust Company (Luxembourg) S.A., Luxembourg
ABN AMRO Bank (Polska) S.A., Warsaw
ABN AMRO Bank (Romania) S.A., Bucharest
ABN AMRO Bank (Schweiz) A.G., Zurich
ABN AMRO Capital Ltd., London
ABN AMRO Corporate Finance Ltd., London
ABN AMRO Equities (UK) Ltd., London
ABN AMRO France S.A., Paris
  Banque de Neuflize, Paris
  Banque Odier Bungener Courvoisier, Paris
ABN AMRO Futures Ltd., London
ABN AMRO International Financial Services Company, Dublin
ABN AMRO Investment Funds S.A., Luxembourg
ABN AMRO Stockbrokers (Ireland) Ltd., Dublin
ABN AMRO Trust Company (Jersey) Ltd., St. Helier
ABN AMRO Trust Company (Suisse) S.A., Geneva
Alfred Berg Holding A/B, Stockholm
Alfred Berg Asset Management Holding AB, Stockholm
Antonveneta ABN AMRO Societa di Gestione del Risparmio SpA, Milan (45%) (a)
Artemis Investment Management Ltd., Edinburgh (58%)
Aspis Internationaal MFMC, Athens
Banca Antonveneta SpA, Padova (13%) (a)
Capitalia SpA, Roma (9%)(a)
CM Capital Markets Holding S.A., Madrid (45%) (a)
Delbrück Bethmann Maffei A.G., Frankfurt am Main
Hoare Govett Ltd., London
Kereskedelmi és Hitelbank Rt., Budapest (40%) (a)

Middle East

Saudi Hollandi Bank, Riyadh (40%) (a)

Rest of Asia

ABN AMRO Asia Ltd., Hong Kong
ABN AMRO Asia Corporate Finance Ltd., Hong Kong
ABN AMRO Asia Futures Ltd., Hong Kong
ABN AMRO Asset Management (Asia) Ltd., Hong Kong
ABN AMRO Asset Management (Japan) Ltd., Tokyo
ABN AMRO Asset Management (India) Ltd., Mumbai (75%)
ABN AMRO Asset Management (Taiwan) Ltd., Taipeh
ABN AMRO Bank Berhad, Kuala Lumpur
ABN AMRO Bank (Kazakhstan) Ltd, Almaty (80%)

ABN AMRO Bank N.B., Uzbekistan A.O., Tashkent (58%)
ABN AMRO Bank (Philippines) Inc., Manilla
ABN AMRO Central Enterprise Services Private Ltd., Mumbai
ABN AMRO Management Services (Hong Kong) Ltd., Hong Kong
ABN AMRO Securities (India) Private Ltd., Mumbai (75%)
ABN AMRO Securities (Japan) Ltd., Tokyo
PT ABN AMRO Finance Indonesia, Jakarta (70%)
PT ABN AMRO Manajemen Investasi Indonesia, Jakarta (85%)

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

New Zealand

ABN AMRO New Zealand Ltd., Auckland

North America

ABN AMRO Asset Management 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 91%)
- LaSalle Bank Corporation, Chicago
  - LaSalle Bank N.A., Chicago
    - ABN AMRO Financial Services, Inc., Chicago
    - ABN AMRO Asset Management (USA) LLC, Chicago
    - LaSalle Business Credit, Inc., Chicago
  - Standard Federal Bank N.A., Troy
    - ABN AMRO Mortgage Group, Inc., Chicago
- ABN AMRO WCS Holding Company, New York
  - ABN AMRO Advisory, Inc., Chicago (81%)
  - ABN AMRO Commodity Finance, Inc., Chicago
  - ABN AMRO Capital (USA) Inc., Chicago
  - ABN AMRO Incorporated, Chicago
    - ABN AMRO Sage Corporation, Chicago
    - ABN AMRO Rothschild LLC, New York (50%) (b)
  - ABN AMRO Leasing, Inc., Chicago
- ABN AMRO Asset Management Holdings, Inc., Chicago
  - ABN AMRO Asset Management Inc., Chicago
  - Montag & Caldwell, Inc., Atlanta

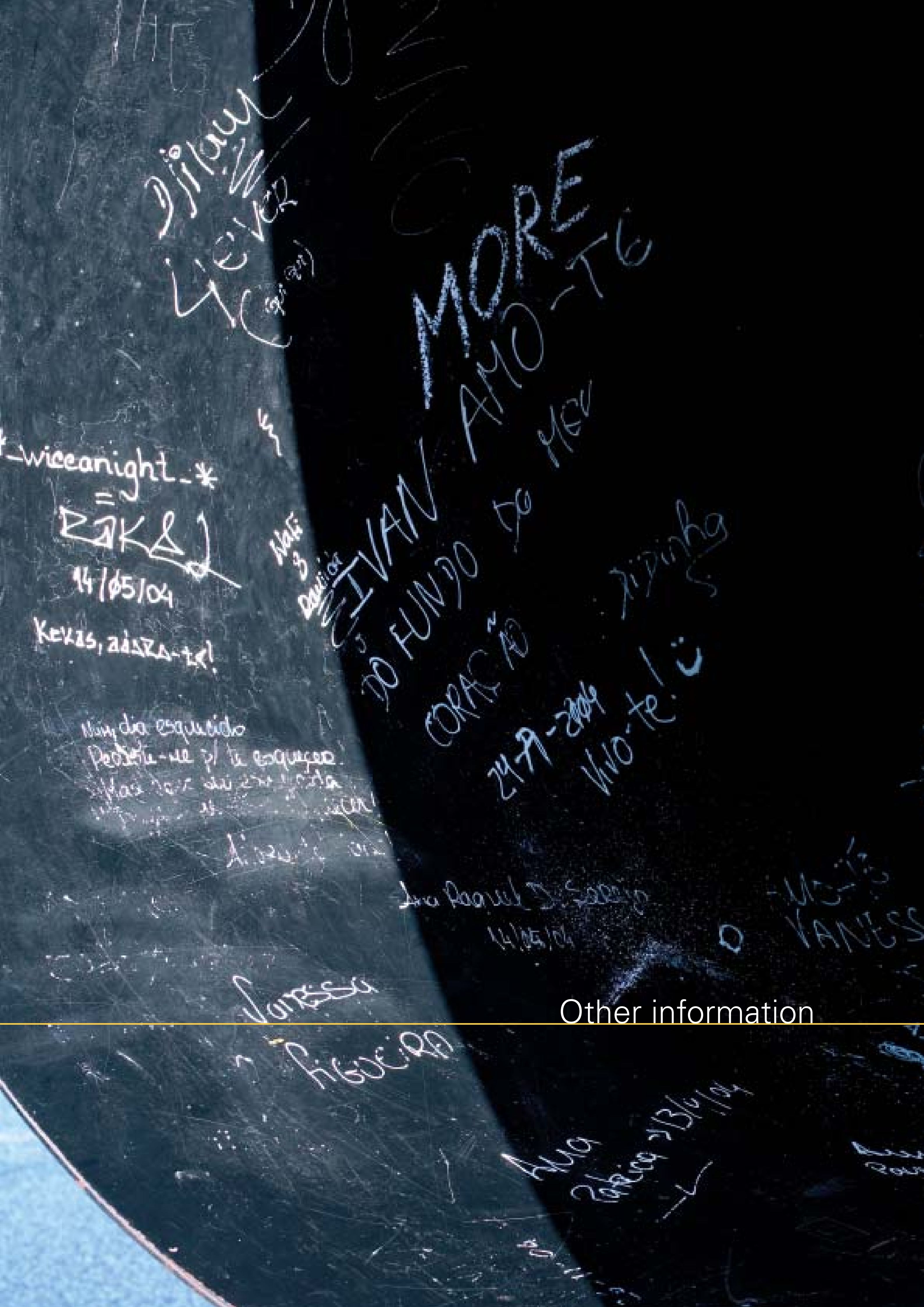
Latin America and the Caribbean

ABN AMRO Asset Management Argentina Sociedad Gerente de FCI S.A., Buenos Aires
ABN AMRO Asset Management (Curaçao) N.V., Willemstad
ABN AMRO Bank (Chile) S.A., Santiago de Chile
ABN AMRO Bank (Colombia) S.A., Bogota
ABN AMRO (Chile) Seguros Generales S.A., Santiago de Chile
ABN AMRO (Chile) Seguros de Vida S.A., Santiago de Chile
ABN AMRO Trust Caribbean Holding N.V., Willemstad
ABN AMRO Securities Holding S.A. Sao Paulo
ABN AMRO Brasil Participaçôes Financeiras S.A., Sao Paulo
ABN AMRO Brasil Dois Participaçôes Sao Paulo
- Banco ABN AMRO Real S.A., Sao Paulo (86%)
- Banco Sudameris Brasil S.A., Sao Paulo (81%)
- Banco de Pernambuco S.A., Recife
- Sudameris Vida e Previdencia S.A., Sao Paulo
- Real Seguros S.A., Sao Paulo

ABN AMRO Asset Management Ltda., Sao Paulo
Real Paraguaya de Seguros S.A., Asunción
Real Uruguaya de Seguros S.A., Montevideo

For 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.



Other information

Auditors' report

Introduction

We have audited the financial statements of ABN AMRO Holding N.V., Amsterdam for the year 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, 17 March 2005

Ernst & Young Accountants

Stipulations of the articles of association with respect to profit appropriation

Profit is appropriated in accordance with article 37 of the articles of association. The main stipulations with respect to classes and series of shares currently in issue are as follows:

1 The holders of preference 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 of 1 January 2011, and every ten years thereafter, the dividend percentage on these 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 dividend calculation dates thereof, plus an increment of no less than 25 basis points and no more than one hundred basis points (see 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 of 1 January 2014, the dividend on such 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 maxima defined above (article 37.2.a.6.).

2 From the profit remaining after these distributions, such appropriations will be made to reserves as may be determined by the Managing Board with the approval of the Supervisory Board (article 37.2.b.).

3 The balance then remaining will be paid out as ordinary share dividend (article 37.2.c.).

Subject to approval of the Supervisory Board the Managing Board can make the dividend or interim dividend on the ordinary shares payable, at the shareholders' option, either in cash or entirely or partly in the form of ordinary or preference shares, provided it is authorised to issue shares (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, being 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 (the 'Trust Office'), as record owner, which issues depositary receipts evidencing ownership interests in preference shares to the beneficial owners thereof.

Contrary to the former structure, the voting rights on the preference shares, although formally with 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, in principle, not exercise its voting rights. Their 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 convocation 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 are 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 and then 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.

Proposed profit appropriation

Appropriation of net profit pursuant to article 37.2 and 37.3 of the articles of association

	2004	2003	2002
Dividends on preference shares	**43**	45	45
Dividends on convertible preference shares	**0**	0	1
Addition to reserves	**2,401**	1,572	745
Dividends on ordinary shares	**1,665**	1,544	1,416
	4,109	3,161	2,207

Subsequent events

On 9 March 2005 ABN AMRO reached an agreement to settle a class action litigation filed by purchasers of securities in WorldCom, Inc. in the US District Court for the Southern District of New York. Under the settlement ABN AMRO agreed to make a payment of USD 278 million to the settlement class, which includes those class members who purchased or otherwise acquired debt securities issued by WorldCom in connection with an offering in 2001. ABN AMRO is of the opinion that the financial impact of the above settlement is adequately included in the 2004 financial statements.

International Financial Reporting Standards

The financial statements for 2004 are the last prepared using the generally accepted accounting principles in the Netherlands (Dutch GAAP). Since 1 January 2005, ABN AMRO – along with all other EU listed companies – has been required to report using International Financial Reporting Standards (IFRS). During 2003 and 2004, the bank has invested significant time and effort in ensuring that we are in a position to continue to report within the same timetable as in previous years.

In many respects the change to IFRS has been a gradual process for Dutch organisations, due to the direct inclusion of many IFRS standards within Dutch GAAP. However, the main IFRS standard impacting banks ('IAS 39 – Financial Instruments') was not incorporated into Dutch GAAP. This standard, which extends the use of fair values, causes most of the differences. IAS 39 is the subject of continuing debate and may be revised in future years to better accommodate the risk management practices of large banks.

In order to provide shareholders with comparative data throughout 2005, the bank moved to IFRS on a dual reporting basis as from 1 January 2004. This data will be presented along with our quarterly press releases and forms the basis for comparatives in our 2005 Annual Report. Our transition to IFRS as from 1 January 2004 incorporates the impact of applying all IFRS statement to the bank's assets (such as loans and property), liabilities (such as pensions) and open contracts (such as derivatives and leases).

An overview and explanation of the impact of IFRS on our financial statements is included in our 20-F filing with the US Securities and Exchange Commission, which is available on our website: www.abnamro.com.

Summary of US corporate governance regulations based upon the Sarbanes-Oxley Act of 2002 ('SOXA')

Summary of applicable regulations	ABN AMRO action	Equivalent Dutch Best Practice Provisions *

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 (#)	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 (#)	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 and Exchange Commission on Form 20-F (the 'Form 20-F') for 2004 (#)	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 (#)	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 (#)	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 (#)	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 (#)	III.5.4, V.2.2 and V.2.3

* *The full text of the equivalent Best Practice Provisions (and ABN AMRO's compliance in respect thereof) can be found in the Dutch Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com)*

(#) *The full text (or where applicable a synopsis) hereof can be found on ABN AMRO's corporate website (www.abnamro.com)*

Summary of applicable regulations	ABN AMRO action	Equivalent Dutch Best Practice Provisions *

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 (#)	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 (#)	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 (#) 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 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 (#)	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

* *The full text of the equivalent Best Practice Provisions (and ABN AMRO's compliance in respect thereof) can be found in the Dutch Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com)*

(#) *The full text (or where applicable a synopsis) hereof can be found on ABN AMRO's corporate website (www.abnamro.com)*

Summary of applicable regulations	ABN AMRO action	Equivalent Dutch Best Practice Provisions *
3 CEO / CFO Certifications		
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	The s906 and s302 certifications are provided with the Form-20F	II.1.3, II.1.4, II.1.5, III.1.8 and V.1.3
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 full text of the equivalent Best Practice Provisions (and ABN AMRO's compliance in respect thereof) can be found in the Dutch Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com)*

(#) *The full text (or where applicable a synopsis) hereof can be found on ABN AMRO's corporate website (www.abnamro.com)*

Summary of applicable regulations	ABN AMRO action	Equivalent Dutch Best Practice Provisions *
4 General corporate governance		
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 as of the Annual Report 2006	II.1.3, II.1.4, II.1.5, III.1.8, V.1.3 and V.4.3
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
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 (#) which constitutes a 'code of ethics' for the purposes of SOXA	II.1.3

* *The full text of the equivalent Best Practice Provisions (and ABN AMRO's compliance in respect thereof) can be found in the Dutch Corporate Governance Supplement which has been made available on our corporate website (www.abnamro.com)*

(#) *The full text (or where applicable a synopsis) hereof can be found on ABN AMRO's corporate website (www.abnamro.com)*

ABN AMRO Holding N.V.

Supervisory Board

A.A. Loudon (68) * – 2006
Chairman
Former Chairman of the Board of Management of AKZO Nobel N.V.

M.C. van Veen (70) *#@ – 2005
Vice Chairman
Former Chairman of the Board of Koninklijke Hoogovens N.V.

W. Dik (66) #@ – 2005
Former Chairman of the Board of Management of Royal KPN N.V. Former State Secretary for Foreign Trade

A. Burgmans (58) * – 2006
Chairman of the Board of Unilever N.V.

D.R.J. Baron de Rothschild (62) – 2007
Senior partner Rothschild & Cie Banque, Chairman Rothschild Group (incl. NM Rothschild & Sons Ltd.)

Mrs L.S. Groenman (64) – 2007
Former Crown member Sociaal-Economische Raad (SER)

Mrs T.A. Maas-de Brouwer (58) * – 2008
Hay Group bv

A.C. Martinez (65) # – 2006
Former Chairman, President and Chief Executive Officer of Sears Roebuck & Co. Inc., Chicago

M.V. Pratini de Moraes (65) – 2007
Former Minister of Agriculture, Livestock and Food Supply, Brazil

P. Scaroni (58) – 2007
Chief Executive Officer of Enel S.p.A., Italy

Lord C.M. Sharman of Redlynch (62) # – 2007
Former Chairman of KPMG International, UK

A.A. Olijslager (61) – 2008
Former Chairman of the Board of Management of Friesland Coberco Dairy Foods Holding 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.
@ To retire from Supervisory Board with effect of 28 April 2005.

Managing Board

R.W.J. Groenink (55),
Chairman

W.G. Jiskoot (54)
T. de Swaan (59)

J.Ch.L. Kuiper (57)
C.H.A. Collee (52)

H.Y. Scott-Barrett (46)

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.

G.J. Doornbos
Chairman of LTO Nederland

R. van Gelder BA
Chairman of the Management Board of Royal Boskalis Westminster N.V.

P.E. Hamming
Chairman of the Board of Management of Royal Vendex KBB N.V.

Ms N. McKinstry
Chairman of the Executive Board of Wolters Kluwer N.V.

G-J. Kramer Msc
President and CEO of Fugro N.V.

A. Nühn
Chairman of the Board of Management of Sara Lee DE International B.V.

H.Th.E.M. Rottinghuis
President and CEO of the Board of Directors of Pon Holdings B.V.

P.J.J.M Swinkels
CEO of Bavaria N.V.

J.A.J. Vink
Chairman of the Board of Management of CSM nv

L.M. van Wijk
President and CEO KLM Royal Dutch Airlines

Situation as at 17 March 2005

Curriculum vitae R.F. van den Bergh

Education

1973

Dutch Civil Law, Leiden University

Employment

1974 – 1975

Staff employee Royal Wessanen nv

1975 – 1980

Staff employee / publisher Nederlandse Dagblad Unie

1980 – 1988

Publisher / manager of Intermediair

1983 – 1988

Managing Director of VNU Business Publications Amsterdam

1988 – 1990

Manager Director of Admedia B.V.

1990 – 1992

Chairman of VNU Magazine Group

1992 – 2000

Member of the Executive Board of VNU nv (special task expansion VNU USA)

2000 –

Chairman of the Executive Board of VNU nv

Other

- Member of the Supervisory Board of PON Holdings B.V.
- Member of the Supervisory Board of NPM Capital N.V.

Curriculum vitae A. Ruys

Education

1974
Commercial Law, Utrecht University

1989
Harvard Business School (USA: Postgraduate Course – AMP)

Employment

1974 – 1993
Several positions at Unilever N.V.

1993 – 1996
Member of the Executive Board of Heineken N.V.

1996 – 2002
Vice Chairman of the Executive Board of Heineken N.V.

2002 –
Chairman of the Executive Board of Heineken N.V.

Other

- Member of the Supervisory Board of Gtech Holdings Corporation, USA
- Member of the Supervisory Board of Sara Lee/DE International B.V.
- Co-Chairman of ECR Europe
- Member of the Supervisory Board of the Foundation The Rijksmuseum
- Member of the Supervisory Board of National Fund for the Preservation of Art Treasures
- Member of the Board of Advisors of AIESEC Netherlands
- Member of the Supervisory Board of Veerstichting

Organisation of ABN AMRO Bank N.V.

Managing Board

Rijkman Groenink (Chairman)
Wilco Jiskoot
Tom de Swaan (CFO)
Joost Kuiper
Dolf Collee
Hugh Scott-Barrett (COO)

Group Business Team

Rijkman Groenink
Wilco Jiskoot
Tom de Swaan
Joost Kuiper
Dolf Collee
Hugh Scott-Barrett
Norman Bobins
Jan Peter Schmittmann
Fabio Barbosa
Lex Kloosterman
Piero Overmars
Alexandra Cook-Schaapveld
Huibert Boumeester
Ron Teerlink

Consumer & Commercial Clients

Executive Committee
Joost Kuiper
Dolf Collee
Jan Peter Schmittmann
Fabio Barbosa
Norman Bobins
Lex Kloosterman
Jan Willem Meeuwis

Joost Kuiper

Netherlands
Jan Peter Schmittmann (CEO)
CFO
Paul Loven
COO
Johan van Hall
Retail
Chris Vogelzang
Advisory
Paulus de Wilt
Corporate Clients
Wietze Reehoorn
Risk Management
Arnoud Rikkers
Human Resources
Robert Charlier

North America
Norman Bobins (CEO)
COO/CIO
Hill Hammock
CFO and Capital Markets
Thomas Heagy
Mortgage
Thomas Goldstein
Specialty Banking
John Newman
Commercial Banking
Larry Richman
Personal Financial Services
David Rudis
Chief Credit Officer
Terry Bulger
Chief Audit Officer
Stephen Mack
Chief Legal Officer
Willie Miller Jr.

Bouwfonds
Henk Rutgers (Chairman)
Bart Bleker
Jaco Reijrink

Dolf Collee

Brazil
Fabio Barbosa (CEO)
Chief Commercial Officer
Michiel Kerbert
CFO
Pedro Paulo Longuini
COO & Risk Management
José Luiz Majolo
Empresas - Clients
João Roberto Teixeira
Treasury and Empresas - Products
José Berenguer Neto
Consumer Finance
Enilson Souza

New Growth Markets
Lex Kloosterman (CEO)
CFO/COO
Jawaid Mirza
Human Resources
Rein Heddema
Special Relations
Jan Koopman
Asia / Middle East
Romesh Sobti
Asia Pacific
Jerry Letendre
Saudi Hollandi Bank
Peter Baltussen
International Diamonds & Jewelry Group
Maggiel Scalongne

Wholesale Clients

Executive Committee
Wilco Jiskoot
David Cole
Alexandra Cook-Schaapveld
Steven Gregg
Piero Overmars
Robert van Paridon
Sarah Russell
Nigel Turner
Samuel Zavatti

Wilco Jiskoot

Global Clients
Alexandra Cook-Schaapveld (Chairman Global Clients & Head of Corporates)
Fixed Income
Niall Cameron
Corporate Finance
Steven Gregg
COO
Sander Pruijs
Equity Capital Markets
Jan de Ruiter
Vice Chairman
Nigel Turner
Financial Institutions & Public Sector
Samuel Zavatti

Global Markets
Piero Overmars (Head of Global Markets)
Equities
Tim Boyce
Fixed Income
Niall Cameron
Fixed Income Trading
Graham Bird
Foreign Exchange & Futures
John Nelson
Commercial Banking
Gary Page
Deputy Head
Jan Sijbrand
COO
Michiel de Jong
Human Resources
Coen Muller

Services
David Cole (CEO)
Asia Pacific
Robert Davis
IT
Michael Geslak
Business Management
Andrew Graham
Operations
William Higgins
Americas
Ricardo Larrabure
EMEA
Kevin Payne
Finance
Sarah Russell
Human Resources, Legal & Communication
Oscar Strugstad

Private Clients

Dolf Collee
Lex Kloosterman (CEO)
Global Head Private Clients
Jos ter Avest
CFO/COO
Jawaid Mirza

Human Resources
Rein Heddema
Rob Mom
Special Relations & Senior Bankers Community
Jan Koopman

Marketing, Products & Sales Management
Paul Scholten
Netherlands
Jeroen Rijpkema

France
Jean Louis Milin
Germany
Rüdiger von Wedel
Switzerland, Luxembourg, Middle East & Latin America
Eelko Bronkhorst

Growth Markets Europe
Paul Lembrechts
Asia Pacific
Barend Janssens

Asset Management

Wilco Jiskoot
Huibert Boumeester (CEO)
CFO
Bert Schouws
CIO Fixed Income
Paul Abberley

CIO Equities
Kevin Smith
Funds & 3rd Party Sales
Julian Ide
Institutional Sales
Frank Goasguen

Retail Sales
Frank Kusse
Private Clients Sales
Pieter Croockewit
North America
Russell Campbell

Latin America
Luiz Maia
Asia Pacific
Arne Lindman
Human Resources
Caroline Baker

Transaction Banking Group

Hugh Scott-Barrett
Ann Cairns (CEO)

EMEA
Eric Brewer

Asia
Peter Chow

LATAM
Claudio Migliore

Brazil
Sergio Costantini

Netherlands
Maarten Mol

North America
vacancy

Global Transaction Products
Daniel Cotti

Global Transaction Delivery
Ed Glassman

Business Re-engineering
Mike Hampson

Client Service
Arjun Singh *

CFO
Gary Dolman

Risk Management
David Suetens

Strategic Planning
Naeem Bashir Ahmad

Communications
Charlotte MacFarlan

Human Resources
Mark Towson

* acting

Group Shared Services

Hugh Scott-Barrett
Ron Teerlink (CEO)

CFO
Caroline Rainbird

Global Corporate Functions
Jolle Dekker

ACES
Meera Sanyal

Human Resources
Madelon Flint

European Payments Centre
Robert Langefeld

CIO
Lars Gustavsson

Operations
William Higgins

Group Functions

Rijkman Groenink

Group Compliance
Carin Gorter

Group Audit
Peter Diekman

Corporate Development
Jeroen Drost

Tom de Swaan

Group Finance
Maurice Oostendorp

Group Legal
Jaap Kamp

Group Risk Management
Erwin Mahne
Herman Mulder
Karl Guha

Economics Department
Robert van den Bosch

Hugh Scott-Barrett

Corporate Communications
Robin Boon

Investor Relations
Richard Bruens

Group Human Resources
Eltjo Kok

European Union Affairs &
Market Infrastructure
Gerard Hartsink

Situation as at 17 March 2005

European Staff Council

Having built a good working relationship with management, the European Staff Council (ESC) was able to engage in discussions about the bank's cross-border initiatives and developments. Early involvement at the planning stage enabled the ESC to ensure that this dialogue was both detailed and constructive, and allowed it to have a greater degree of influence over the final outcome. The starting point for the ESC has always been to uphold the continuity of the organisation and safeguard the best possible future for its employees, while appreciating the different positions and perspectives of other stakeholders. Unfortunately the ESC has not been able to present viable alternatives which could have prevented compulsory redundancies. Nevertheless, the ESC succeeded in reaching agreements with management that have improved the job prospects of the staff affected by the changes.

During the six plenary sessions in 2004 (four in Amsterdam, one in Warsaw and one in Zurich) the ESC met with local employees and provided management with feedback from staff across Europe. Where necessary, this feedback led to concrete action by management.

Some of the major topics discussed during 2004 were:

- Formation of Group Shared Services
- Procurement
- Outsourcing Asset Management back office
- Cost reduction in European Equities
- Operations of Global Trade Advisory
- Wholesale Clients global private account dealing policy
- Divestiture of ABN AMRO Trust
- Strategic ambition programme Wholesale Clients
- HR Transformation Programme.

Additionally, the ESC had general discussions with management about the bank's strategy in a changing industry environment. Several members of the Managing Board participated in these discussions, including the Chairman.

The ESC appreciates its relationship with management, and the opportunity to provide feedback and influence the decision making process.

Amsterdam, 31 December 2004

European Staff Council

Dutch Central Works Council

2004 was the third year of the 2002-2005 cycle for Dutch staff councils. Important issues that arose during the year included:

- the sale of LeasePlan Corporation
- the formation of Group Shared Services, including European Payments Centre, HR Services and other departments
- the development of plans for IT Global, IT Infrastructure as well as Application Development and Maintenance
- HR Transformation Programme.

The negotiations about the bank's central labour conditions held in 2003 resulted in a final offer, which led to a difference of opinion over the selection and matching of staff during reorganisations. The Central Works Council (CWC) was also involved in helping to find a solution reflecting a good combination of choosing the best people and taking age and years of service into account.

We were informed in good time of the proposal to appoint Mr A.A. Olijslager to the Supervisory Board.

The CWC met five times, mostly as scheduled, with the responsible member of the Managing Board. One or more members of the Supervisory Board attended and participated in each of these meetings. This regular contact with the Supervisory Board is much appreciated.

Sourcing policy was a prominent agenda item in the CWC's discussions during 2004. However, the CWC was also asked for its opinion on, and approval of, other issues such as the integration of BU Netherlands' Group Audit and Audit Inspection departments into a new Group Audit unit, as well as the Share Option Plan.

In November 2004 most of the Dutch members of the Supervisory Board and the Managing Board attended a special CWC meeting called to discuss the topic 'From business case to change case in major processes of change'. Key issues debated at this meeting included offshoring, paying greater attention to human behaviour and emotions, listening and making oneself heard.

At two of the CWC meetings during the year, the Chairman of the Managing Board discussed the 2003 results and the 2004 interim results in detail. Many of the questions asked were about the future, and the chairman responded with a degree of frankness characteristic of ABN AMRO's open culture.

The CWC is fully committed to playing its part in promoting our bank's prosperity. On behalf of all ABN AMRO's staff councils, we would like to express our appreciation for the climate of mutual trust that permeates our relations with management.

Amsterdam, 31 December 2004

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 (New Capital Accord), 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 (New Capital Accord), 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
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 directive (CAD) 3
European Union directive implementing the new Basel II accord.

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.

Corporate finance
Activities in the fields of mergers, acquisitions, privatisations, advisory services and origination.

Credit equivalent
Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, being reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.

Credit rating
Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.

Currency risk
Price risk relating to exchange rate fluctuations.

Derivatives
Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indices, etc).

Economic capital
Proxy for the capital which is required to run the business, given the market, credit and operational risks.

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 or individual assets on the one hand and the fair value of the individual items on the other.

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 with the financial year 2005.

Interest rate risk
Degree to which fluctuations in long and short-term interest rates have a negative influence on the bank's result.

Joint 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.

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 loan capital and divided by the number of shares outstanding.

Non-performing loans
Loans for which there is any doubt about the borrower's capacity to meet its payment obligation to the bank.

Notional amounts
The value of the principal of the underlying financial derivatives contracts.

Options (shares and currencies)
Contractual right to buy (call option) or sell (put option) a specified amount of underlying shares or currency at a fixed price during a specified period or on a specified date.

Preference share
Share that receives a fixed rate of dividend prior to ordinary shares.

Private banking
Dedicated to the development and execution of the policy in relation to high net worth clients and small and medium-sized institutional investors.

Provision
Charge to income to cover possible losses on non-performing loans.

Risk-weighted assets
Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

RAROC
Risk adjusted return on capital, measured against BIS capital requirements. It is a risk-adjusted profitability measurement, providing a consistent view of profitability across businesses.

Scenario analysis
Method used to measure and manage interest rate risk, for example. Using various assumptions about future interest rate movements, net interest revenue is estimated.

Securitisation
Restructuring credits in the form of marketable securities.

Structured finance
Global activity aimed at the extension of credits in specialised product/market combinations, development and marketing of complex financial solutions, export financing of capital goods and large-scale project finance.

Tier 1 ratio
Core capital of the bank expressed as a percentage of total risk-weighted assets.

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 these assets.

Uniform Credit Rating (UCR)
The UCR is an obligor rating and refers to the probability of default of 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.

Safe Harbour Statement under the US Private Securities Litigation Reform Act of 1995
Certain of the statements contained herein that are not historical facts, including, without limitation, statements as to future net profit and operating expenses, are statements of future expectations and other forward-looking statements (as such term is defined in Section 21E of the US Securities Exchange Act of 1934, as amended) that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, (ii) performance of financial markets, (iii) interest rate levels, (iv) currency exchange rates, including the EUR/USD exchange rate, (v) changes in laws and regulations, including monetary convergence and the European Monetary Union, (vi) changes in the policies of central banks and/or foreign governments, (vii) cost overruns and (viii) competitive factors, in each case on a global, regional and/or national basis. ABN AMRO does not undertake to update any statements of future expectations or other forward-looking statements contained herein.

Abbreviations

ACES	ABN AMRO Central Enterprise Services Private Limited
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
AML	Anti Money Laundering
AuA	Assets under Administration
BIS	Bank for International Settlement
bp	Basis point
BRL	Brazilian real
BU	Business Unit
C&CC	Consumer & Commercial Clients
CAD	Capital Adequacy Regulations
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
CRO	Country Risk Officer
EUR	Euro
FIPS	Financial Institutions & Public Sector
FTE	Full time equivalent, a measurement of number of staff
FX	Foreign Exchange
GALM	Group Asset and Liability Management
GCF	Global Corporate Functions
GDP	Gross Domestic Product
GF	Group Functions
GRC	Group Risk Committee
GRM	Group Risk Management
GSS	Group Shared Services
HR	Human Resources
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
LPC	LeasePlan Corporation
MfV	Managing for Value
MRM	Market Risk Management
MSR	Mortgage Servicing Right
N&C Committee	Nomination & Compensation Committee
P&L	Profit & Loss
PC	Private Clients
PFS	Personal Financial Services
PSP	Performance Share Plan

RAROC	Risk adjusted return on capital
RWA	Risk-weighted assets
SBU	Strategic Business Unit
SEVP	Senior Executive Vice President
SME	Small and medium-sized enterprises
SOXA	Sarbanes-Oxley Act of 2002
TRS	Total return to shareholders
UAE	United Arab Emirates
UCR	Uniform Counterparty Rating
USD	US dollar
VaR	Value-at-Risk model
WCS	Wholesale Clients

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The Netherlands

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+ 31 20 629 91 11

Internet:
www.abnamro.com

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.

The bank consists of the listed company ABN AMRO Holding N.V., which conducts its business almost entirely through its wholly-owned subsidiary ABN AMRO Bank N.V. or this company's many subsidiaries.

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