BASE LISTING DOCUMENT DATED 19 APRIL 2007

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Base Listing Document relating to Structured Products to be issued by

ABN AMRO BANK N.V.

(incorporated in The Netherlands with its statutory seat in Amsterdam)

Sponsor

ABN AMRO ASIA LIMITED

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is published for the purpose of giving information with regard to us and our warrants (the "**Warrants**"), callable bull/bear contracts (the "**CBBCs**") and other structured products (together with the Warrants and the CBBCs, the "**Structured Products**") to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

We accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying shares; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index.

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What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

A supplemental listing document will be issued on the issue date of each series of Structured Products, which will include detailed commercial terms of the relevant series. You must read this document (including any addendum to this document to be issued from time to time) together with such supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, the "**Listing Documents**") before investing in any Structured Products. You should carefully study the risk factors set out in the Listing Documents.

What are our credit ratings?

Our long term debt ratings are:

Rating agency	Rating as of the date of this document
Moody's Investor Service, Inc., New York	Aa3
Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc.	AA-

Are we regulated by any bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules?

We are a licensed bank regulated by the Hong Kong Monetary Authority. We are also regulated by the Dutch Central Bank (De Nederlandsche Bank N.V.).

Are we subject to any litigation?

In a number of jurisdictions, legal proceedings have been initiated against us or our group companies whose financial statements have been included in the consolidated financial statements for the year ended 31 December 2006 of ABN AMRO Holding N.V. ("**ABN AMRO Holding**") set out in Appendix 4 of this document.

On the basis of information currently available, and having taken counsel with our legal advisers, we are of the opinion that the outcome of these proceedings (including any such proceedings which are pending or threatened of which we or ABN AMRO Holding are aware) is unlikely to have a significant effect on our consolidated financial position or profitability.

Authorisation for the issue of the Structured Products

Our management, pursuant to the authority delegated by our board of directors, authorised the issue of the Structured Products on 22 March 2005.

Has our financial position changed since last financial year-end?

There has been no material adverse change in our financial or trading position since 31 December 2006.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.004 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax in Hong Kong?

No tax is payable in Hong Kong by way of withholding or otherwise in respect of dividends of any company which has issued the underlying shares, distributions of any trust which has issued the underlying units or in respect of any capital gains arising on the sale of the underlying assets or Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

Only where Hong Kong stock is to be delivered will stamp duty be payable since any person who effects a sale or purchase of "Hong Kong Stock", as defined in the Stamp Duty Ordinance (Cap 117, The Laws of Hong Kong), whether as principal or as agent and whether such transaction is effected in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and have such contract note stamped with Hong Kong stamp duty.

Grey market dealings

Following the launch of a series of Structured Products, we may place all or part of that series with our related party. The Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by us and/or any of our subsidiaries or associated companies in the grey market to the Stock Exchange on the listing date through the website of the Stock Exchange at *www.hkex.com.hk.*

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of our Hong Kong Branch at 38th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong:

(a) the 2006 annual report of ABN AMRO Holding;

(b) the consent letter of the auditors of ABN AMRO Holding, Ernst & Young Accountants ("**Auditors**");

(c) this document and any addendum to this document;

(d) the supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange; and

(e) the instrument executed by us by way of deed poll on 16 April 2007 which constitutes the Structured Products.

Requests for photocopies of the above documents will be subject to a reasonable fee, which reflects the cost of providing such copies.

The Listing Documents are also available on the website of the Stock Exchange at *http://www.hkex.com.hk/dwrc/search/listsearch.asp.*

各上市文件亦可於聯交所網站 *(http://www.hkex.com.hk/dwrc/search/listsearch_c.asp)* 瀏覽。

Have the Auditors consented to the inclusion of their report in the Listing Documents?

The Auditors have given and have not withdrawn their written consent to the inclusion of their report dated 14 March 2007 in this document and/or the references to their name in the Listing Documents, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into this document. The Auditors do not hold our shares or shares in our subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Authorised Representatives

Our authorised representatives are Penelope Tham and Matthew Wong of 38th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

The Sponsor is authorised to accept service of process on our behalf in Hong Kong (c/o 38th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong).

ABN AMRO Holding N.V.

Under a declaration under Article 2:403 of the Netherlands Civil Code, ABN AMRO Holding is jointly and severally liable with us for our obligations under the Structured Products.

How can you get further information about us or ABN AMRO Holding?

You may visit *www.abnamro.com* to obtain information about us, ABN AMRO Holding and other companies of our group. You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions and the applicable Product Conditions (set out in Appendices 1 to 3, collectively the "**Conditions**") and/or the relevant Supplemental Listing Document.

PLACING AND SALE

General

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required.

No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

The Netherlands

Structured Products which qualify as savings certificates as defined in the Savings Certificates Act ("*Wet inzake spaarbewijzen*") may only be transferred or accepted through our mediation or the mediation of an admitted institution of Euronext Amsterdam N.V. with due observance of the Savings Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of:

(a) the initial issue of those Structured Products to the first holders of such Structured Products;

(b) any transfer and delivery by individuals who do not act in the conduct of a profession or trade; and

(c) the issue and trading of those Structured Products, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

United States of America

The Structured Products have not been and will not be registered under the Securities Act of 1933 (as amended) (the "**Securities Act**") and trading in the Structured Products has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act of 1922. The Structured Products may not at any time be offered, sold, delivered, traded or exercised, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person and a U.S. person may not, at any time, directly or indirectly, maintain a position in the Structured Products. Offers, sales, trading or delivery of the Structured Products in the United States or to, or for the account or benefit of, U.S. persons may constitute a violation of United States laws governing commodities trading. Exercise of the Structured Products will be conditional upon certification as to non-U.S. beneficial ownership. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

We will not offer, sell or deliver any Structured Products within the United States or to, or for the account or benefit of, U.S. persons, and we will require all those dealers participating in the distribution of the Structured Products not to offer, sell, deliver or trade, at any time, directly or indirectly, any Structured Products in the United States or to, or for the account or benefit of, any U.S. person. In addition, we will send to each dealer to which we sell Structured Products at any time a confirmation or other notice setting forth the restrictions on offers, sales and deliveries of the Structured Products in the United States or to, or for the account or benefit of, U.S. persons. As used herein, "**United States**" means the United States of America, its territories or possessions, any state of the United States, the District of Columbia or any other enclave of the United States government, its agencies or instrumentalities; and "**U.S. person**" means:

(a) any person who is a U.S. person as defined in Regulation S under the Securities Act;

(b) any person or entity other than one of the following:

    (1) a natural person who is not a resident of the United States;

    (2) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a

jurisdiction other than the United States and which has its principal place of business in a jurisdiction other than the United States;

(3) an estate or trust, the income of which is not subject to United States income tax regardless of source;

(4) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by U.S. persons represent in the aggregate less than 10 per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by U.S. persons; or

(5) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), we represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") we have not made and will not make an offer of Structured Products to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Structured Products to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Structured Products which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in Structured Products;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require our publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Structured Products to the public**" in relation to any Structured Products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**")) in connection with the issue or sale of any Structured Products has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA would not, if we were not an authorised person, apply to us. All applicable provisions of the FSMA with respect to any Structured Products have been complied, and will be complied, with in, from or otherwise involving the United Kingdom.

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a share, a unit, a commodity, a commodity future, an index or other asset ("**Underlying Asset**") is an instrument which gives the holder a right to "buy" or "sell" the Underlying Asset at, or derives its value by reference to, a pre-set price or level called the exercise price or strike level on the exercise date or the expiry date (as the case may be). It usually costs a fraction of the price of the Underlying Asset and may provide leveraged return to you (but conversely, it could also magnify your losses).

When can you get back your investment and what (if any) do you get back?

American style Warrants can be exercised on or before the Expiry Date. European style Warrants can only be exercised on the Expiry Date.

Our Warrants will be exercised on the Expiry Date or the Exercise Date (as the case may be), entitling you to:

(a) in the case of cash settled Warrants, a cash amount called the "**Cash Settlement Amount**" (if positive); or

(b) in the case of physically settled Warrants, physical delivery of a pre-fixed quantity of the Underlying Asset called the "**Entitlement**",

each according to the Product Conditions applicable to the Warrants.

For cash settled Warrants, you will receive the Cash Settlement Amount less any Exercise Expenses upon expiry or exercise. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you upon expiry or exercise of your Warrants.

For physically settled Warrants, you must pay any Exercise Expenses to us and will receive the Entitlement (being a pre-fixed quantity of the Underlying Asset) from us. If the value of the Entitlement drops below your investment amount, you will suffer a loss or a substantial loss of your investment.

How do the Warrants work?

The potential payoff upon expiry or exercise of the Warrants is calculated by us by reference to the difference between:

(a) for a Warrant linked to a share or unit, the Exercise Price and the Average Price/Closing Price;

(b) for a Warrant linked to a basket of shares, the Exercise Price and the sum of the Average Price/Closing Price of each share in the basket multiplied by its corresponding weightings called the "Basket Component";

(c) for a Warrant linked to an index, the Strike Level and the Closing Level; and

(d) for a Warrant linked to a commodity, commodity future or currency, the Exercise Price and the Closing Price.

The relevant Supplemental Listing Document will specify the payoff upon expiry or exercise of the relevant series of Warrants.

Call warrant

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price, Closing Price or Closing Level (as the case may be) is greater than the Exercise Price or Strike Level (as the case may be). The more the Average Price, Closing Price or Closing Level exceeds the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry or exercise. If the Average Price, Closing Price or Closing Level (as the case may be) is at or below the Exercise Price or Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put warrant

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price, Closing Price or Closing level (as the case may be) is below the Exercise Price or Strike Level (as the case may be). The more the Average Price, Closing Price or Closing Level is below the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry or exercise. If the Average Price, Closing Price or Closing Level (as the case may be) is at or above the Exercise Price or Strike Level (as the case may be), an investor in the put Warrant will lose all of his investment.

Other types of warrants

The supplemental listing document applicable to other types of warrants will specify the type of such warrants.

You must read the Conditions to understand the formula for calculation of the Cash Settlement Amount (for cash settled Warrants) or the Entitlement (for physically settled Warrants) applicable to the relevant Warrants at expiry.

The Product Conditions applicable to each type of Warrants are set out in Parts A to G of Appendix 2 (as may be supplemented by any addendum or the relevant Supplemental Listing Document).

What are the factors determining the price of a derivative warrant?

The price of a Warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of the Warrants, their price will be influenced by a number of factors, including:

(a) the Exercise Price or Strike Level of the Warrants;

(b) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset);

(c) the time remaining to expiry: a Warrant is generally more valuable the longer the remaining life of the Warrants;

(d) interest rates;

(e) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

(f) the supply and demand for the Warrants; and

(g) our creditworthiness.

What is your maximum loss?

Your maximum loss in the Warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit the Stock Exchange website at *http://www.hkex.com.hk/prod/dwrc/dw.htm* to obtain further information on the Warrants or any notice given by us or the Stock Exchange in relation to the Warrants.

OVERVIEW OF CBBCS

What are CBBCs?

A CBBC is a type of Structured Product that tracks the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets, including:

(a) shares listed on the Stock Exchange;

(b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index;

(c) overseas shares, overseas indices, currencies or commodities; or

(d) other assets as prescribed by the Stock Exchange from time to time.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at *http://www.hkex.com.hk/prod/cbbc/underlying.htm*.

CBBCs are issued either as callable bull contracts ("**Bull Contracts**") or callable bear contracts ("**Bear Contracts**").

Bull Contracts are designed for investors who have an optimistic view on the Underlying Asset.

Bear Contracts are designed for investors who have a pessimistic view on the Underlying Asset.

Your maximum potential loss in a CBBC is limited to the purchase price for the CBBC, which is generally a fraction of the value of the Underlying Asset, plus any cost involved in such purchase.

CBBCs have a mandatory call feature (the "**Mandatory Call Event**") and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs upon the occurrence of a Mandatory Call Event.

There are two categories of CBBCs, namely Category N and Category R. Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs. See "What is the mandatory call feature of CBBCs?" below for further details.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if positive) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level.

You must read the Conditions to understand the payout formula applicable to the relevant CBBCs at expiry.

The Product Conditions applicable to each type of CBBCs are set out in Parts A and B of Appendix 3 (as may be supplemented by any addendum or the relevant Supplemental Listing Document).

What is the mandatory call feature of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs when the Spot Price/Spot Level of the Underlying Asset is:

(a) at or below the Call Price/Call Level (in the case of a series of Bull Contracts); or

(b) at or above the Call Price/Call Level (in the case of a series of Bear Contracts),

at any time during a Business Day or an Index Business Day, as the case may be, during the Observation Period.

The Observation Period is the period from and including the Observation Commencement Date up to the close of trading on the Stock Exchange on the Last Trading Day prior to the Expiry Date.

Cancellation of trades

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, all trades in the CBBCs concluded or recorded in the Stock Exchange's system after a Mandatory Call Event occurs will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange. Cancellation of trades in CBBCs following a Mandatory Call Event will be:

(a) in respect of CBBCs linked to single equities listed on the Stock Exchange ("**Single Equity CBBCs**"), based on the automatic order matching and execution system time on the Stock Exchange at which the Spot Price is at or below the Call Price (for a series of Bull Contracts) or is at or above the Call Price (for a series of Bear Contracts);

(b) in respect of CBBCs linked to an index ("**Index CBBCs**") quoted on the Stock Exchange, the time at which the relevant index level published by the relevant index compiler is at or below the Call Level (for a series of Bull Contracts) or is at or above the Call Level (for a series of Bear Contracts); and

(c) in respect of CBBCs linked to other Underlying Assets, the time at which the relevant spot price/spot level of the underlying asset published by the relevant price source specified in the relevant Supplemental Listing Document is at or below the Call Price/Call Level (for a series of Bull Contracts) or is at or above the Call Price/Call Level (for a series of Bear Contracts).

In respect of Single Equity CBBCs, if a Mandatory Call Event occurs in the pre-opening session, all CBBC trades concluded via auction during the order matching period will be cancelled and all manual trades concluded after the determination of the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules prescribed by the Stock Exchange) will not be recognised. In respect of Single Equity CBBCs and Index CBBCs linked to Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index, when the Mandatory Call Event occurs in the continuous trading session, all trades concluded via auto matching or manually after the Mandatory Call Event will be cancelled.

Category N CBBCs vs. Category R CBBCs

The relevant Supplemental Listing Document will specify whether the CBBCs are Category N CBBCs or Category R CBBCs.

"**Category N CBBCs**" refers to CBBCs of which the Call Price/Call Level is equal to the Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

"**Category R CBBCs**" refers to CBBCs of which the Call Price/Call Level is different from the Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment (if any) called the "**Residual Value**" upon the occurrence of a Mandatory Call Event. In any case, the Residual Value cannot be lower than the Minimum Residual Value which is calculated by reference to the difference between the Minimum Trade Price/Minimum Index Level (in the case of a series of Bull Contracts) or the Maximum Trade Price/Maximum Index Level (in the case of a series of Bear Contracts) of the Underlying Asset during a specified period after the Mandatory Call Event and the Strike Price/Strike Level, and may be nil in the worst case scenario. The formula for calculation of the Minimum Residual Value will be set out in the applicable Product Conditions and the relevant Supplemental Listing Document.

You must read the relevant Conditions carefully to understand your entitlement (if any) following a Mandatory Call Event.

How is the Residual Value calculated?

In respect of a series of Category N CBBCs, you will not receive any cash payment upon termination of the CBBCs after a Mandatory Call Event.

In respect of a series of Category R CBBCs, you may receive a Residual Value upon termination of the CBBCs after a Mandatory Call Event. The Residual Value will be determined by us by reference to:

(a) in respect of a series of Bull Contracts, the difference between the price at which hedging transactions in the Underlying Asset with respect to CBBCs are unwound and the Strike Price/Strike Level, subject to the Minimum Residual Value, being the difference between the Minimum Trade Price/Minimum Index Level of the Underlying Asset and the Strike Price/Strike Level; and

(b) in respect of a series of Bear Contracts, the difference between the price at which hedging transactions in the Underlying Asset with respect to the CBBCs are unwound and the Strike Price/Strike Level, subject to the Minimum Residual Value, being the difference between the Maximum Trade Price/Maximum Index Level of the Underlying Asset and the Strike Price/Strike Level.

The Minimum Residual Value could be nil if the Minimum Trade Price/Minimum Index Level (in respect of Bull Contracts) is equal to or lower than the Strike Price/Strike Level or if the Maximum Trade Price/Maximum Index Level (in respect of Bear Contracts) is equal to or higher than the Strike Price/Strike Level. We may, at our absolute discretion, pay a higher amount than the Minimum Residual Value specified above.

You must read the relevant Conditions to understand the calculation formula of the Minimum Residual Value applicable to Category R CBBCs.

How is the funding cost calculated?

The Issue Price of a CBBC represents:

(a) the difference between the initial reference spot price or level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus

(b) the applicable funding cost. The Issue Price for a CBBC includes the initial funding cost (if any) and the initial funding cost applicable to each series of CBBCs as of the launch date will be specified in the relevant Supplemental Listing Document. The funding cost is an amount determined by us based on a number of factors, including but not limited to the Strike Price/Strike Level (representing the margin financing provided by us in respect of the CBBC), the prevailing interest rate and, for Single Equity CBBCs, the expected dividend yield in respect of the Underlying Asset.

There is a possibility that the funding cost may fluctuate over the life of a CBBC.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant Supplemental Listing Document.

We may not hold the Underlying Asset

We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on our and/or our affiliates' ability to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

What are the factors determining the price of a CBBC?

The value of a CBBC with an entitlement ratio to the Underlying Asset of 1 to 1 tends to move virtually on a ratio of 1 to 1 with the value of the Underlying Asset. The trading price of a CBBC tends to mirror the movement in the dollar value of the Underlying Asset. However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

(a) the Strike Price/Strike Level and the Call Price/Call Level of the CBBC;

(b) the likelihood of the occurrence of a Mandatory Call Event;

(c) for Category R CBBCs only, the residual funding costs and the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;

(d) the time remaining to expiry;

(e) any change(s) in interim interest rates;

(f) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

(g) the supply and demand for the CBBCs;

(h) the depth of the market or liquidity of future contracts relating to the Underlying Asset;

(i) any related transaction costs; and

(j) our creditworthiness.

What is your maximum loss?

Your maximum loss in a CBBC is limited to the purchase price for the CBBC plus any transaction costs.

How can you get information about the CBBCs after issue?

You may visit the Stock Exchange website at *http://www.hkex.com.hk/prod/cbbc/intro.htm* to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to the CBBCs.

History and Incorporation

Our origin can be traced to the formation of "Nederlandsche Handel-Maatschappij, N.V." in 1825 pursuant to a Dutch Royal Decree of 1824. Our Articles of Association were last amended by deed of 9 June 2005 executed before Mr. R.J.C. van Helden, Notary Public in Amsterdam. We are registered in the Commercial Register of Amsterdam under number 33002587. Our registered office is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

We are a wholly-owned subsidiary of ABN AMRO Holding, which is incorporated as a limited liability company under Dutch law by deed of 30 May 1990 as our holding company. The Articles of Association of ABN AMRO Holding were last amended by deed of 9 June 2005 executed before Mr. R. J. C. van Helden, Notary Public in Amsterdam. The registered office of ABN AMRO Holding is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

ABN AMRO Holding's main purpose is to own us and our subsidiaries. ABN AMRO Holding owns 100 per cent. of our shares and is jointly and severally liable for all our liabilities in respect of the Structured Products pursuant to a declaration under Article 2:403 of the Dutch Civil Code.

Our place of business in Hong Kong is at 38th Floor, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

Overview

The ABN AMRO Group ("**ABN AMRO**"), which consists of ABN AMRO Holding and its subsidiaries, is a prominent international banking group offering a wide range of banking products and financial services on a global basis through a network of 4,500 offices and branches in more than 53 countries and territories, and as at 31 December 2006, had 105,000 full time staff. ABN AMRO is one of the largest banking groups in the world, with total consolidated assets of €987.1 billion as at 31 December 2006. ABN AMRO is the largest banking group in The Netherlands and has a substantial presence in Brazil and the Midwestern United States. It is one of the largest foreign banking groups in the United States, based on total assets held as of 30 June 2006. ABN AMRO Holding is listed on the Euronext and New York stock exchanges.

ABN AMRO operates through ten Business Units ("**BUs**") as follows: seven Client BUs organised on a regional and a global basis, as well as three Product BUs (Asset Management, Transaction Banking and Global Markets), which develop and deliver products for all its clients globally. ABN AMRO's clients are the prime beneficiaries of its relationship-based approach through its different BUs. Through this group-wide client-led strategy, ABN AMRO creates value for a comprehensive spectrum of clients, ranging from mass retail to high net worth private customers. ABN AMRO's corporate clients range from a large number of small businesses to a smaller number of large multinationals. ABN AMRO's strategic focus is on the mid-market segment, where it has a strong, distinctive and competitive advantage. ABN AMRO offers tailor-made local services, such as preferred banking, that are supported by the global knowledge, expertise and product capabilities of the bank. Global Markets brings together ABN AMRO's product expertise across the financial markets. It delivers research, sales and trading, fixed income origination, derivatives, structured lending and commodity financing to the bank's mid-market clients and multinational clients. Global Markets drives product development and innovation across the bank's network of more than 50 countries.

Group Strategy

ABN AMRO is an international bank with European roots. It focuses on local consumer and commercial banking relationships, strongly supported by a global network and an extensive product suite. The business mix gives the bank a competitive edge in its chosen markets and client segments.

ABN AMRO aims to maximise value for its clients, while maximising value for its shareholders as the ultimate proof of, and condition for, its success.

ABN AMRO's strategy for growing and strengthening the business is built on five elements.

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

- Focusing on:

  — consumer and commercial clients in the local markets in Europe, North America, Latin America and Asia, and globally on;

  — selected multinational corporations and financial institutions; and

  — private clients.

- Leveraging its advantages in products and people to benefit all its clients.

- Sharing expertise and operational excellence across ABN AMRO.

- Creating "fuel for growth" by allocating capital and talent according to the principles of "Managing for Value", ABN AMRO's value-based management model.

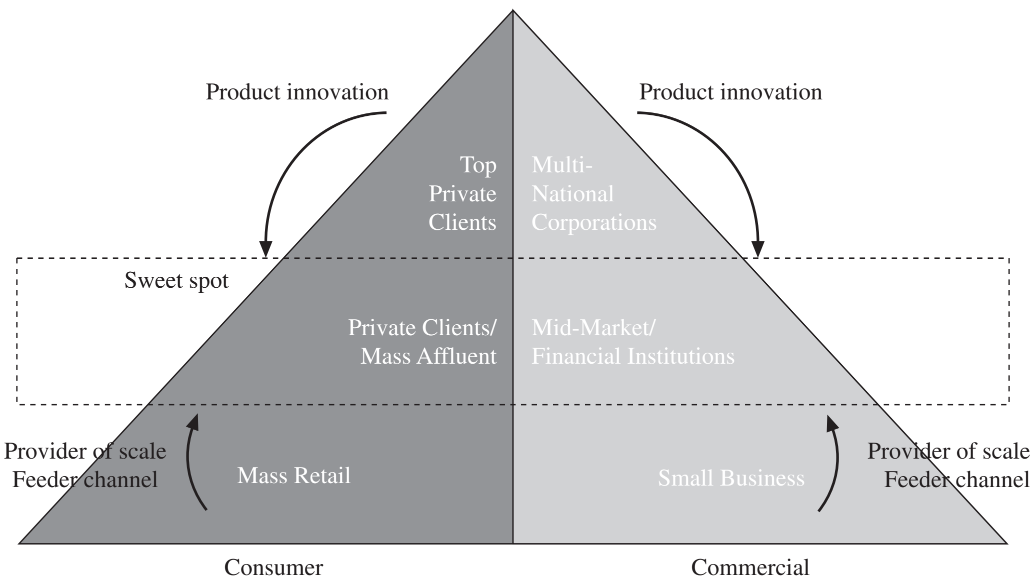
ABN AMRO aims to achieve sustainable growth that will benefit all its stakeholders, including its clients, shareholders, employees, and society at large. The ABN AMRO Corporate Values and Business Principles provide the framework within which ABN AMRO carries out its operations.

Focus on the mid-market

Although ABN AMRO serves a broad range of clients, its strategic focus is on the mid-market segment. This is the client area where ABN AMRO has a strong and distinctive competitive advantage and where ABN AMRO feels it can be most profitable in the future.

The consumer mid-market consists of clients who require more than a basic banking package (mass affluent and private clients), but who do not yet fall into the small category of our top-end private clients. The commercial mid-market ranges from mid-sized companies to a smaller number of large multinational clients and financial institutions.

Still, clients in ABN AMRO's other segments are essential to providing sufficient scale and ensuring product innovation. The success of ABN AMRO's focus on the mid-market depends on its continuing presence at the top end of the market and the mass-market segment. The focus on ABN AMRO's primary target clients will also guide its future investments and acquisitions to enhance profitable revenue growth.



One Group

Another key element of ABN AMRO's strategy is deriving more value from being one group. The creation of a shared product organisation comprising payments and trade, called Transaction Banking, and the creation of a Services organisation that oversees all services and operations in the BUs and in Group Shared Services ("**GSS**"), will enable the bank to leverage its global advantaged capabilities and increase the impact of its investments in these areas.

The mid-market franchise outlined above will be the growth engine of the group, and ABN AMRO has therefore created two global cross-BU segments: a Consumer Client Segment and a Commercial Client Segment. These two segments will drive growth by working across ABN AMRO's Business Units.

More information about ABN AMRO can be found on *www.abnamro.com*.

ABN AMRO Holding's and our Managing and Supervisory Boards

Managing Board	**Year of appointment**
R.W.J. Groenink, Chairman	1988
W.G. Jiskoot	1997
J.Ch.L. Kuiper	1999
H.Y. Scott-Barrett	2000
Huibert. Boumeester	2006
Piero Overmars	2006
Ron Teerlink	2006

Supervisory Board	**Year of appointment**
A.C. Martinez, Chairman	2002
A.A. Olijslager, Vice-Chairman	2004
D.R.J. Baron de Rothschild	1999
Mrs L.S. Groenman	1999
Mrs T.A. Maas-de-Brouwer	2000
M.V. Pratini de Moraes	2003
P. Scaroni	2003
Lord Sharman of Redlynch	2003
Rob van den Bergh	2005
Anthony Ruvs	2005
Gert-Jan Kramer	2006
Gerhard Randa	2006

The business address of the Supervisory and Managing Boards is the registered office of ABN AMRO Holding. The Managing Board makes policy and manages ABN AMRO Holding and us on a daily basis.

Statutory Auditors

ABN AMRO Holding's financial year is the calendar year. ABN AMRO Holding is required by Dutch law to have statutory auditors. Ernst & Young Accountants act as the auditors of the financial statements of ABN AMRO Holding.

Use of Proceeds

We intend to add the net proceeds from the sale of the Structured Products to our general funds to be used for general corporate purposes including hedging of the Structured Products.

RISK FACTORS

Prior to investing in any Structured Products, you should consider carefully all relevant risks and whether the Structured Products are suitable for you in light of your experience, objectives, financial position and other relevant circumstances, and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Not all of the risk factors described below will be applicable to a particular series of the Structured Products. Please read the following section together with the risk factors set out in the relevant Supplemental Listing Document.

General risks relating to us as the issuer of the Structured Products

Structured Products are unsecured obligations

Each series of Structured Products will constitute our general unsecured contractual obligations and of no other person and will rank on a parity with our other unsecured contractual obligations and unsecured and unsubordinated debt. At any given time, the number of Structured Products outstanding may be substantial.

Repurchase of the Structured Products

We may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or the prevailing market price at our discretion. You should not make any assumption as to the number of Structured Products in issue for any particular series at any time.

Our creditworthiness

If you purchase Structured Products you are relying upon our creditworthiness and have no rights under these products against:

(a) any company which has issued any underlying shares;

(b) the trustee or the manager of any underlying unit trust;

(c) any index compiler of any underlying index.

We do not guarantee the repayment of your investment in any Structured Products.

Any downgrading of our rating by rating agencies such as Moody's Investors Service, Inc. or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc., could result in a reduction in the value of the Structured Products.

No deposit liability or debt obligation

We have an obligation to deliver to you in accordance with the Conditions of each series of the Structured Products either the Underlying Asset or the Cash Settlement Amount upon expiry or maturity, as the case may be. We do not intend (express, implicit or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

We, our subsidiaries or affiliates (the "**Group**") may from time to time engage in transactions involving the Underlying Assets for our respective proprietary accounts and/or for accounts under our respective management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the value of the Underlying Assets and consequently upon the value of the relevant series of Structured Products. In addition, our Group may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider. Furthermore, our Group may also issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products. Our Group may also act as underwriter in connection with future offerings of shares or other securities or may act as the sponsor's or our financial adviser, as the case may be, of any such share or other security or in a commercial banking capacity for us of any share or other security. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

General risks relating to Structured Products

You may lose all or part of your investment in the Structured Product

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest, foreign exchange, time value, market, and/or political risks. You should recognise that certain Structured Products may expire worthless.

Options, warrants and index/equity linked instruments are priced primarily on the basis of the price or level of the Underlying Asset, the volatility of the Underlying Asset's price or level and the time remaining to expiry of the Structured Product.

The price of Structured Products may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price or level of the Underlying Asset moving in a direction which will negatively impact upon the return on an investment. Assuming all other factors are held constant, the more the price of the assets underlying a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

"European Style" Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price or level of the Underlying Assets.

Correlation between the price of Structured Products and the value of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of Structured Products are linked to the relevant Underlying Asset(s) and will be influenced (positively or negatively) by it or them but any change may be incomparable and disproportionate with the movements in the price or level of the Underlying Asset(s). It is possible that while the price or level of the Underlying Assets is increasing, the value of the Structured Product is falling.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset, you should recognise the complexities of utilising Structured Products of any series in this manner. There is no assurance that their value will correlate with movements of the Underlying Asset. Therefore, it is possible that you could suffer substantial losses in the Structured Products notwithstanding any losses suffered with respect to investments in or exposure to the Underlying Assets.

Minimum exercise amount

If so indicated in the relevant Supplemental Listing Document, you may have to tender a specified number of Structured Products at any one time in order to exercise or close out your Structured Products. If you have fewer than the specified minimum number of a Structured Product to a particular series, you will either have to sell your Structured Products or purchase additional Structured Products, incurring transaction costs in each case, in order to realise your investment.

Maximum exercise amount

If so indicated in the relevant Supplemental Listing Document, we will have the option to limit the number of Structured Products exercisable or maturing on any Exercise Date to the maximum number specified therein and, in conjunction with such limitation, to limit the number of Structured Products exercisable or being closed out by any holder on such day. In the event that the total number of Structured Products being exercised or being closed out exceeds such specified maximum number, you may not be able to realise the value of your investment in all the Structured Products on that day.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products or at what price such series of Structured Products will trade in the secondary market or whether such market will be liquid or illiquid. The fact that the Structured Products may be so listed does not necessarily lead to greater liquidity than if they were not so listed.

In the event of a delisting of any series of Structured Products on the Stock Exchange (other than at expiry or maturity), we will use all reasonable efforts to list the affected series of Structured Products on another exchange. If any series of Structured Products are not listed or traded on any exchange, pricing information for such series of Structured Products may be difficult to obtain and the liquidity of that series of Structured Products may be adversely affected.

The liquidity of any series of Structured Products may also be affected by restrictions on offers and sales of the Structured Products in some jurisdictions. Transactions in off-exchange Structured Products may involve greater risks than dealing in exchange-traded Structured Products. To the extent that Structured Products of any series are exercised or closed out, the number of Structured Products outstanding to that series will decrease, which may result in a lessening of the liquidity of Structured Products. A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have, or will appoint a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will, to the extent practicable, use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Investments in the Structured Products may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Structured Products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time value

The settlement amount of certain series of Structured Products at any time prior to expiration or maturity, as the case may be, may be less than the trading price of such Structured Products at that time. The difference between the trading price/level and the settlement amount as the case may be, will reflect, among other things, a "time value" for the Structured Products. The "time value" of the Structured Products will depend partly upon the length of the period remaining to expiration or maturity and expectations concerning the value of the Underlying Asset.

Exchange rate risk

There may be an exchange rate risk in the case of Structured Products where the Cash Settlement Amount will be converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Securities. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of any Structured Products will be representative of the relevant rates of exchange used in computing the value of the relevant Structured Products at any time thereafter.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in any doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See "Do you need to pay any tax in Hong Kong?" in the section headed "Important Information" on page 3 for further information.

Modification to the Conditions

Under the Conditions, we may without your consent, modify the terms and conditions applicable to the Structured Products if such modification is not materially prejudicial to the interests of the Holders, of a formal, minor or technical nature, made to correct an obvious error or necessary for compliance with mandatory provisions under Hong Kong law.

General risks relating to the Underlying Asset

You are expected to be experienced with dealing in Structured Products and should understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the Structured Products may relate.

You have no right to the Underlying Asset

Structured Products convey no interest in the Underlying Asset. You will not be entitled to, in the case of shares or units, voting rights or rights to receive dividends or other distributions or any other rights that a holder of the shares or units would normally be entitled to or, in the case of other assets, the benefit from any rights or benefits to which the owner of (or investor in) the Underlying Assets is entitled unless specifically indicated as otherwise in the Supplemental Listing Document relating to such series of Structured Product.

Valuation risk

An investment in Structured Products may involve valuation risk as regards the Underlying Assets to which the particular series of Structured Products relate. The value of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors and speculation.

Where the Underlying Asset is a basket comprised of various securities, indices, currencies, commodities, interest rates or other assets, instruments or prices, fluctuations in the value of any one component item in such basket may be offset or intensified by fluctuations in the value of the other component items which comprise the relevant basket.

Where the Underlying Asset is an Index, the value of the Index may increase or decrease by reference to various factors which may include changes in the formula for or the method of calculating the Index.

Adjustment related risk

Certain events relating to the Underlying Asset permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may in our sole discretion adjust, among other things, the Entitlement and the Exercise Price of any series of Structured Product for events such as stock splits and stock dividends.

However, we are not required to make an adjustment for every event that can affect the Underlying Asset. If an event occurs that does not require us to adjust the Conditions, the market price of the Structured Products and the return upon the exercise of the Structured Products may be affected.

Suspension of trading

Prior to the Expiry Date if trading or dealing in the Underlying Assets or any component part of the Underlying Assets is suspended on the Stock Exchange or any other relevant stock exchange, trading in the relevant series of Structured Products may be suspended for a similar period.

Delisting of underlying shares

If at any time the Underlying Asset ceases to be listed on the Stock Exchange, we may, in our absolute discretion, make adjustments and amendments to the rights attaching to the Structured Products pursuant to the Conditions. Such adjustments and amendments are conclusive and binding on you.

Delay in settlement

Unless otherwise specified in the applicable Product Conditions, in the case of any exercise or maturity, as the case may be, of Structured Products, there may be a time lag between the date on which the Structured Products are exercised or matured, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of exercise or maturity and the determination of the settlement amount will be specified in the applicable Product Conditions. However, such delay could be significantly longer, particularly in the case of a delay in the exercise or maturity of such Structured Products arising from, our determination that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the applicable Product Conditions. That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

If there is a Settlement Disruption Event or a Market Disruption Event, determination of the Closing Price/Closing Level on the Valuation Date and payment of the Cash Settlement Amount or delivery of share certificates to underlying shares, electronic settlement of the underlying shares through CCASS, as the case may be, may be delayed, all as more fully described in the Conditions. We will not be liable to you for any interest in respect of the Cash Settlement Amount or any loss or damage that you may suffer as a result of a delay in such payment due to a Settlement Disruption Event or a Market Disruption Event.

Risks relating to Structured Products over indices

Where the Underlying Asset is an index, the level for the underlying index may be published by the index compiler at a time when one or more components comprising the index are not trading. If this occurs on a Valuation Date but such occurrence does not constitute a Market Disruption Event under the applicable Conditions then the value of such components may not be included in the closing level of the index. This may have an unforeseen adverse impact on the value of your investment.

In addition, certain events relating to the underlying index (including a material change in the formula or the method of calculating the underlying index or a failure to publish the underlying index) permits us to determine the level of the underlying index on the basis of the formula or method last in effect prior to such change or failure. In making any such decision, we will not take into account your individual interest in the Structured Products. Therefore, you should be aware that any decision made by us may have an unforeseen adverse impact on the value of your investment.

Risks relating to Structured Products over trusts

In the case of Structured Products which relate to units in a trust:

(a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee or the manager of the relevant trust (i) is involved in the offer of the Structured Products in any way, or (ii) has any obligation to consider the interest of the holders of Structured Products in taking any corporate actions that might affect the value of the Structured Products; and

(b) we have no role in the relevant trust. The trustee or the manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and/or investment restrictions as set out in its constitutive documents. The manner in which the relevant trust is managed and the timing of such decisions will have a significant impact on the performance of the Underlying Asset. Hence, the price which is used to calculate the performance of the Underlying Asset is also subject to these risks.

Risks relating to CBBCs

Correlation between the price of a CBBC and the value of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price or level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate with the change in the value of the Underlying Asset.

Delay in announcement of Mandatory Call Event

We will notify the market as soon as practicable after the CBBC has been called. You must however be aware that there may be a delay in the announcement of a Mandatory Call Event due to technical errors, system failures, different time zones and other factors that are beyond our control or the control of the Stock Exchange.

Mandatory Call Event is irrevocable

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited ("**HKEx**") (such as the setting up of wrong Call Price or Call Level and other parameters); or

(b) manifest errors caused by the relevant third party price source (such as miscalculation of the index level by the relevant index compiler);

in each case, subject to mutual agreement between the Stock Exchange and ourselves which must be reached by such time as specified in the relevant Conditions in which a Mandatory Call Event may be reversed. Upon the revocation of the Mandatory Call Event, trading of the CBBCs will resume and any cancelled Post MCE Trades reinstated.

Disclaimers relating to Mandatory Call Event

The Stock Exchange and its recognised exchange controller, HKEx, shall not incur any liability (whether based on contract, tort, (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEx) for, any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading ("**Trading Suspension**") or the non-recognition of trades after a Mandatory Call Event ("**Non-Recognition of Post MCE Trades**"), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We are not responsible for any losses you suffer as a result of Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event or the resumption of trading of the CBBCs or reinstatement of any Post MCE Trades cancelled in connection with the reversal of any Mandatory Call Event notwithstanding that such Trading Suspension and/or Non-Recognition of Post MCE Trades occurs as a result of an error in the observation of the event.

Unwinding activities may affect value of CBBCs

In respect of Category N CBBCs, we or our affiliates may unwind our respective hedging transactions in relation to the CBBCs at any time. Such unwinding activities may cause a fall or rise in the trading price or level of the Underlying Asset and trigger the occurrence of a Mandatory Call Event for the CBBCs.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates can unwind our respective hedging transactions in the Underlying Asset relating to the number of CBBCs that we or our affiliates respectively repurchase from the market from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates can only unwind our respective hedging transactions relating to the CBBCs after the occurrence of the Mandatory Call Event. The unwinding of hedges after the occurrence of a Mandatory Call Event may affect the value of the Underlying Asset and consequently the Residual Value for the CBBCs.

Our trading and/or hedging activities and those of our affiliates and/or our respective related parties related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may affect the likelihood that relevant Call Price or Call Level (as the case may be) is reached triggering a Mandatory Call Event. In particular, when the Underlying Asset is trading close to its Call Price/Call Level, any unwind of our hedging activities in relation to such Underlying Asset may cause a fall or rise (as the case may be) in the value of the Underlying Asset to the Call Price/Call Level at such time, triggering a Mandatory Call Event as a result of such unwinding activities.

Residual Value as a result of early termination of CBBCs

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event may or may not include the residual funding cost for the CBBCs. You may not receive any residual funding cost back from us upon early termination of the CBBCs after the occurrence of the Mandatory Call Event.

Risks relating to the legal form of the Structured Products

Each Structured Product will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS). You should note that a risk of investing in a security that is issued in global registered form and held on your behalf within a clearing system effectively means that evidence of title to your interest, as well as the efficiency of ultimate delivery of the Settlement Amount, will be subject to the CCASS Rules. Amongst the risks you should be aware of are:

(a) you will not receive definitive certificates where the Structured Products remain in the name of HKSCC Nominees Limited for the entire life of the Structured Products;

(b) any register that is maintained by us or on our behalf, while available for inspection by any investor, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;

(c) you will have to rely solely upon your broker/custodians and the statements you receive from such party as evidence of your interest in the investment;

(d) notices or announcements will be published on the HKEx website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEx website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and

(e) following the Expiry Date and our determination as to the Cash Settlement Amount or Entitlement, our obligations to you will be duly performed by the payment of the Cash Settlement Amount or delivery of the Entitlement in accordance with the applicable Product Conditions to HKSCC Nominees Limited as the "holder" of the Structured Products. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount or Entitlement to the respective CCASS participants in accordance with the CCASS Rules.

Effect of the combination of risk factors is unpredictable

Two or more risk factors may simultaneously have an effect on the value of a Structured Product such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Structured Product or Underlying Asset.

APPENDIX 1 — GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the Product Conditions and the supplemental terms and conditions contained in the Supplemental Listing Document relating to the particular series of Structured Products. These General Conditions and the Product Conditions (as supplemented, amended, modified and/or replaced by the relevant provisions of the relevant Supplemental Listing Document) together constitute the Conditions of the relevant Structured Products. Except for the relevant provisions in the Supplemental Listing Document which will appear on the front of the Global Certificate, the Conditions will be endorsed on the Global Certificate representing the relevant Structured Products.

In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, the Product Conditions and the relevant provisions in the Supplemental Listing Document, or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and the Product Conditions, and the Product Conditions shall prevail over the General Conditions.

1. Definitions

"**Base Listing Document**" means the base listing document relating to Structured Products dated 19 April 2007 and issued by ABN AMRO Bank N.V. including any addenda to such base listing document issued by ABN AMRO Bank N.V. from time to time;

"**Board Lot**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" has the meaning given to it in the applicable Product Conditions;

"**CCASS**" means the Central Clearing and Settlement System;

"**CCASS Rules**" means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

"**Conditions**" means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Entitlement**" has the meaning given to it in the applicable Product Conditions;

"**Exercise Date**" means:

(a) the date on which a Structured Product is, or is to be treated as, exercised; and

(b) in respect of American Style Structured Products, the Business Day on which an Exercise Notice is delivered to the Sponsor and in respect of which there is a valid exercise of Structured Products in accordance with the requirements of the applicable Product Conditions, provided that any Exercise Notice received by the Sponsor after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day;

"**Exercise Expenses**" means, in respect of the Structured Products, any charges or expenses including any taxes or duties which are incurred in respect of the exercise or early expiration (as the case may be) of one Board Lot of such Structured Products;

"**Exercise Notice**" means an exercise notice in the form prescribed by the Sponsor;

"**Expiry Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**General Conditions**" means these general terms and conditions. These General Conditions apply to each series of Structured Products;

"**Global Certificate**" means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

"**HKEx**" means Hong Kong Exchanges and Clearing Limited;

"**HKSCC**" means Hong Kong Securities Clearing Company Limited;

"**Holder**" means, in respect of each series of Structured Products, each person who is for the time being shown in the register kept by the Issuer outside of Hong Kong as the holder of the relevant Structured Products;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Instrument**" means an instrument by way of deed poll dated 16 April 2007 executed by the Issuer pursuant to which the Issuer creates and grants to the Holders rights in relation to the Structured Products;

"**Issuer**" means ABN AMRO Bank N.V, acting through its principal office in Amsterdam or its branch in London or such further or other branches as it may specify from time to time;

"**Nominee**" means HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC) in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS;

"**Product Conditions**" in respect of each series of Structured Product, means the product specific terms and conditions that apply to that Structured Product;

"**Settlement Date**" means three Business Days following:

(a) with respect to Warrants exercised on the Expiry Date in accordance with the relevant Product Conditions, the Expiry Date; or

(b) with respect to American Style Warrants exercised on any Exercise Date in accordance with the relevant Product Conditions, the Valuation Date;

"**Settlement Disruption Event**" means, if as a result of an event beyond the control of the Issuer, it is not possible for the Issuer to procure payment electronically through CCASS to the Designated Bank Account on the original Settlement Date;

"**Sponsor**" means ABN AMRO Asia Limited, subject to General Condition 4.2;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Structured Products**" means derivative warrants ("**Warrants**"), callable bull/bear contracts ("**CBBCs**") or such other structured products to be issued by the Issuer from time to time, as specified in the relevant Supplemental Listing Document. References to "**Structured Products**" are to be construed as references to a particular series of Structured Products;

"**Supplemental Listing Document**" means the supplemental listing document relating to a particular series of Structured Products; and

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the applicable Product Conditions, the relevant Supplemental Listing Document and/or the relevant Global Certificate.

2. Form, Status, Transfer and Trading

2.1 *Form.* The Structured Products (which expression shall, unless the context otherwise requires, include any further structured products issued pursuant to General Condition 10) are issued by the Issuer in registered form, subject to and with the benefit of the Instrument. The Holders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the Hong Kong Branch of the Issuer at 38th Floor, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong.

Each person who is for the time being a Holder shall be treated by the Issuer and the Sponsor as the absolute owner of the Structured Products.

2.2 *Status of the Issuer's obligations.* The settlement obligation of the Issuer in respect of the Structured Products represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Structured Products represent general contractual obligations of the Issuer, and are not, nor is it the intention (express, implicit or otherwise) of the Issuer to create by the issue of Structured Products deposit liabilities of the Issuer or a debt obligation of any kind.

2.3 *Transfer and trading of Structured Products.* Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

Trading in Structured Products on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

3. Entitlement of Holders, Exercise Expenses and Payments

3.1 *Entitlement of Holders.* Every Board Lot initially entitles the Holder, upon due exercise or early expiration (as the case may be) and upon compliance with these General Conditions and the applicable Product Conditions, to:

3.1.1 in respect of cash settled Structured Products, payment of the Cash Settlement Amount, if any; or

3.1.2 in respect of physically settled Structured Products, delivery of the Entitlement in accordance with the applicable Product Conditions.

3.2 *Holders responsible for Exercise Expenses.*

3.2.1 Upon exercise or early expiration of the Structured Products (as the case may be), the Holders of such Structured Products will be required to pay a sum equal to all the expenses resulting from such exercise or early expiration (as the case may be).

To effect such payment, an amount equivalent to the Exercise Expenses shall be:

(a) in the case of cash settled Structured Products, deducted from the Cash Settlement Amount in accordance with General Condition 3.4; or

(b) in the case of physically settled Structured Products, paid by the Holders to the Issuer prior to the Settlement Date in accordance with the applicable Product Conditions.

3.2.2 The Holders are responsible for additional costs and expenses in connection with any exercise or early expiration of the Structured Products (as the case may be) including the Exercise Expenses which amount shall, subject to General Condition 3.2.1 and to the extent necessary, be payable to the Issuer and collected from the Holders.

3.3 *Payment of Exercise Expenses.* Any Exercise Expenses which were not determined by the Issuer on the Exercise Date, the Expiry Date or such other early expiration date (as the case may be) and were not deducted from the applicable Cash Settlement Amount prior to delivery to the Holder in accordance with this General Condition 3, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.

3.4 *Settlement*

3.4.1 *Payment of Cash Settlement Amount.* Upon exercise or early expiration (as the case may be) of cash settled Structured Products, the Issuer will pay the applicable Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to, or less than, the determined Exercise Expenses, no amount is payable by the Issuer.

The aggregate Cash Settlement Amount (if any) minus the determined aggregate Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

3.4.2 *Delivery of Entitlement.* Upon exercise or early expiration (as the case may be) of physically settled Structured Products and payment of the Exercise Expenses (if any) in accordance with General Condition 3.2, the Issuer will deliver the Entitlement to the relevant Holder in accordance with the applicable Product Conditions.

The Entitlement will be delivered no later than the Settlement Date in accordance with the CCASS Rules.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure delivery electronically through CCASS as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

3.5 *Discharge of Issuer's obligations.* The Issuer's obligations to pay the Cash Settlement Amount (if any) or delivery of the Entitlement shall be discharged by payment or delivery in accordance with General Condition 3.4.

3.6 *Liability of Issuer and Sponsor.* Termination, exercise and settlement of the Structured Products are subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. Neither the Issuer nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the Structured Products.

4. Sponsor

4.1 The Sponsor will not assume any obligation or duty to or any relationship of agency or trust for the Holder.

4.2 The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Sponsor and to appoint another sponsor provided that it will at all times maintain a sponsor in Hong Kong for so long as the Structured Products are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holder in accordance with General Condition 9.

5. Adjustments

5.1 *Other Adjustments.* Except as provided in General Condition 8 and in the applicable Product Conditions, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Structured Products and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is:

(a) considered by the Issuer not to be materially prejudicial to the Holder generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) otherwise considered by the Issuer to be appropriate and such adjustment or amendment is approved by the Stock Exchange.

5.2 *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holder. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 9.

6. Purchase

The Issuer or any of its subsidiaries may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

7. Global Certificate

The Structured Products are represented by a Global Certificate. No definitive certificate will be issued. The Structured Products may only be exercised by the Nominee.

The Global Certificate representing the relevant Structured Products will be deposited with CCASS in the name of the Nominee. The Global Certificate must be executed manually on behalf of the Issuer by authorised person(s) or attorney(s) of the Issuer.

8. Meetings of Holders and Modification

8.1 *Meetings of Holders.* The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting, save for those Structured Products remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Structured Products which are expressed to be American Style, Structured Products which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in the quorum for, any meeting of the Holders.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

8.2 *Modification.* The Issuer may, without the consent of the Holders, effect any modification of the provisions of the Structured Products or the Instrument which is not materially prejudicial to the interests of the Holders, of a formal, minor or technical nature, made to correct an obvious error or necessary in order to comply with mandatory provisions of the laws of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 9.

9. Notices

9.1 *Website publication.* All notices to the Holders will be validly given if published in English and in Chinese on the HKEx website. In such circumstances, the Issuer shall not be required to despatch copies of the notice to the Holders.

9.2 *Request for copies.* If so requested by the Holders (such request to be communicated to the Issuer or the Sponsor), the Issuer will deliver or procure delivery of copies of the notices published pursuant to General Condition 9.1 by post addressed to such Holder at the address recorded in the register of Holders kept by the Issuer and airmail post shall be used if that address is not in Hong Kong. Copies of the notices delivered or sent in accordance with this General Condition shall be sent or delivered at the risk of such Holders.

10. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

11. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Structured Products.

12. Governing Law

The Structured Products and the Instrument will be governed by and construed in accordance with the laws of Hong Kong. The Issuer and each Holder (by its purchase of the Structured Products) shall be deemed to have submitted for all purposes in connection with the Structured Products and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

A Chinese translation of these General Conditions and the Product Conditions will be made available for collection during normal office hours from the Hong Kong Branch of the Issuer at 38th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. In the event of any inconsistency between the Chinese translation and the English version of these General Conditions and of the Product Conditions respectively, the English version of these General Conditions and of the Product Conditions respectively shall prevail.

14. Prescription

Claims against the Issuer for payment of any amount in respect of the Structured Products will become void unless made within ten years of the Exercise Date, MCE Valuation Date or Expiry Date (as the case may be) and thereafter, any sums payable in respect of such Structured Products shall be forfeited and shall revert to the Issuer.

Sponsor:

ABN AMRO Asia Limited
40th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

APPENDIX 2 — PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants:

PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document, or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means, with respect to the exercise of Warrants on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4, the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing prices as may be necessary to reflect any rights issue, bonus issue, consolidation or subdivision, restructuring event or the like) for each Valuation Date;

"**Cash Settlement Amount**" means:

(a) in the case of a series of call Warrants exercised on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(b) in the case of a series of put Warrants exercised on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(c) in the case of a series of American Style call Warrants exercised on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price - Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(d) in the case of a series of American Style put Warrants exercised on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price - Closing Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Closing Price**" means, with respect to the exercise of American Style Warrants on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3, the closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing price as may be necessary to reflect any rights issue, bonus issue, subdivision, consolidation, restructuring event or the like) on the Valuation Date;

"**Company**" means the company specified as such in the relevant Supplemental Listing Document;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Product Condition 5. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of Product Condition 2.1.1; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Shares any options or futures contracts relating to the Shares if, in any such case, that such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single equities;

"**Share**" means the share of the Company specified as such in the relevant Supplemental Listing Document;

"**Valuation Date**" means:

(a) with respect to the exercise of Warrants on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4, each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with this paragraph (a), the closing price of the Shares on the first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Average Price; or

(b) with respect to the exercise of American Style Warrants on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3, the Exercise Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on such Exercise Date, then the Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

(i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the bid price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided further that if the postponement of the Valuation Date in accordance with paragraphs (a) or (b) above would result in the Valuation Date falling on or after the Expiry Date, then:

(aa) the Business Day immediately preceding the Expiry Date ("**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(bb) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrants.* The Warrants may be exercised as follows:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time; or

2.1.2 subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice.*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise.* Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date, without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the Warrants relate on the basis of the following provisions:

4.1 *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing bid price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions, "**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

4.3 *Subdivision and Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) in the same ratio as the Subdivision or Consolidation (as the case may be) on the day on which the Subdivision or Consolidation takes effect. Such adjusted Entitlement is called "**Adjusted Entitlement**". In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same date on which the Subdivision or Consolidation (as the case may be) takes effect.

4.4 *Restructuring Events.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 *Adjustments following delisting*. If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of the Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*. Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holder, make such adjustments to the entitlements of the Holder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

Sponsor:

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PART B — PRODUCT CONDITIONS OF BASKET WARRANTS

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document, or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means, with respect to the exercise of Warrants on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4, the arithmetic mean of the closing prices of the relevant Share to which each Basket Component relates (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing prices as may be necessary to reflect any rights issue, bonus issue, consolidation or subdivision, restructuring event or the like) for each Valuation Date;

"**Basket**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Basket Components**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Cash Settlement Amount**" means, for every Board Lot, an amount in Hong Kong dollars calculated by the Issuer as follows:

(a) in the case of a series of call Warrants exercised on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4:

(i) the sum of each of the Basket Components of the Companies that comprise the Basket (subject to adjustment as provided for in Product Condition 4) multiplied by the Average Price of the relevant Share to which each Basket Component relates less (ii) the Exercise Price;

(b) in the case of a series of put Warrants exercised on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4:

(i) the Exercise Price less (ii) the sum of each of the Basket Components of the Companies that comprise the Basket (subject to adjustment as provided for in Product Condition 4) multiplied by the Average Price of the relevant Share to which each Basket Component relates;

(c) in the case of a series of American Style call Warrants exercised on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3:

(i) the sum of each of the Basket Components of the Companies that comprise the Basket (subject to adjustment as provided for in Product Condition 4) multiplied by the Closing Price of the relevant Share to which each Basket Component relates less (ii) the Exercise Price; or

(d) in the case of a series of American Style put Warrants exercised on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3:

(i) the Exercise Price less (ii) the sum of each of the Basket Components of the Companies that comprise the Basket (subject to adjustment as provided for in Product Condition 4) multiplied by the Closing Price of the relevant Share to which each Basket Component relates;

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Closing Price**" means, with respect to the exercise of American Style Warrants on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3, the closing price of the relevant Share to which each Basket Component relates (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing price as may be necessary to reflect any rights issue, bonus issue, consolidation or subdivision, restructuring event or the like) on the Valuation Date;

"**Company**" means each company in the Basket specified as such in the relevant Supplemental Listing Document;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Product Condition 5. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of Product Condition 2.1.1; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange or any Related Exchange in any Share in the Basket, or any options or futures contracts relating to any Share in the Basket if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of the Stock Exchange or any Related Exchange due to any other unforeseen circumstances; or

(d) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of Basket Warrants;

"**Related Exchange**" means the exchange(s) specified as such in the relevant Supplemental Listing Document;

"**Share**" means the shares of the Companies or, as the context requires, the share of a particular Company specified as such in the relevant Supplemental Listing Document;

"**Valuation Date**" means:

(a) with respect to the exercise of Warrants on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4, each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred in respect of any Share, then that Valuation Date for that Share shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with this paragraph (a), the closing price of that Share on the first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Average Price; or

(b) with respect to the exercise of American Style Warrants on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3, the Exercise Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on such Exercise Date, then the Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

(i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the bid price that would have prevailed on that fifth Business Day but for the Market Disruption Event, provided further that if the postponement of the Valuation Date in accordance with paragraphs (a) or (b) above would result in the Valuation Date falling on or after the Expiry Date, then:

(aa) the Business Day immediately preceding the Expiry Date ("**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(bb) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrants.* The Warrants may be exercised as follows:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time; or;

2.1.2 subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise.* Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date, without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments

Adjustments may be made by the Issuer to the Basket Components comprising the Basket to which the Warrants relate on the basis of the following provisions:

4.1 *Rights Issues.* If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Basket Component shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing bid price of an existing Share of the Company making the Rights Offer as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) each holder of Shares (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the above formula would result in an adjustment to the Basket Component which would amount to less than one per cent. of the Basket Component immediately prior to the adjustment, then no adjustment will be made to such Basket Component.

For the purposes of these Product Conditions, "**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 *Bonus Issues.* If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Basket Component shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue} = (1 + N) \times E$$

Where:

E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Basket Component which would amount to less than one per cent. of the Basket Component immediately prior to the adjustment, then no adjustment will be made to such Basket Component.

4.3 *Subdivision and Consolidations*. If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), the Basket Component insofar as it relates to the Share(s) of the Company making the Subdivision in effect immediately prior thereto shall be increased or the Basket Component insofar as it relates to the Share(s) of the Company making the Consolidation decreased accordingly in each case on the day on which the relevant Subdivision or Consolidation takes effect.

4.4 *Restructuring Events.* If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 *Adjustments following delisting.* If at any time any of the Shares ceases to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange.* Without prejudice to the generality of Product Condition 6.1, where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holder, make such adjustments to the entitlements of the Holder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

Sponsor:

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PART C — PRODUCT CONDITIONS OF INDEX WARRANTS

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document , or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Cash Settlement Amount**" means an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate; or, as the case may be (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) in the case of a series of call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Level - Strike Level) x one Board Lot x Index Currency Amount}}{\text{Number of Warrants per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Level - Closing Level) x one Board Lot x Index Currency Amount}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Closing Level**" has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending on the Expiry Date; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**First Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified as such in the relevant Supplemental Listing Document;

"**Index Business Day**" means a day on which the Index is scheduled to be published by the Index Compiler or, as the case may be, the Successor Index Compiler (as defined below);

"**Index Compiler**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Exchange**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Interim Currency**" means the currency specified in the relevant Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any of:

(i) the suspension or material limitation of the trading of a material number of constituent securities, contracts, commodities or currencies that comprise the Index; or

(ii) the suspension or material limitation of the trading of constituent securities, contracts, commodities or currencies (aa) on the Relevant Exchange; or (bb) generally; or

(iii) the suspension or material limitation of the trading of (aa) options or futures contracts relating to the Index on any Related Exchange; or (bb) options or futures generally on any options and/or futures exchanges on which options or futures contracts relating to the Index are traded; or

(iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

For the purposes of this definition:

(A) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange; and

(B) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of the Relevant Exchange, any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of Warrants over an index;

"**Related Exchange**" means the exchange(s) specified in the relevant Supplemental Listing Document;

"**Relevant Exchange**" means the exchange specified in the relevant Supplemental Listing Document;

"**Relevant Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Second Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Strike Level**" means the level specified as such in the relevant Supplemental Listing Document, subject to adjustment in accordance with General Condition 5 and Product Condition 4; and

"**Valuation Date**" means the date specified as such in the relevant Supplemental Listing Document provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, but will not be obliged to, determine such Closing Level by having regard to the manner in which the Index Compiler, or the relevant body or entity, as the case may be, calculates the Closing Level.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrants.* The Warrants may be exercised as follows:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time; or

2.1.2 subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice.*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise.* Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments to the Index

4.1 *Successor Index Compiler Calculates and Reports Index.* If the Index is:

4.1.1 not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler ("**Successor Index Compiler**") acceptable to the Issuer; or

4.1.2 replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 *Modification and Cessation of Calculation of Index.* If:

4.2.1 on or prior to any Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or

4.2.2 on any Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those constituent securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those constituent securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

4.3 *Market Disruption Events.* Without limiting the Issuer's discretion to determine the Closing Level as referred to in the definition of "Valuation Date" in Product Condition 1, if a Market Disruption Event occurs, the Issuer has the right to adjust the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 9 if it determines that a Market Disruption Event has occurred.

4.4 *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

4.4.1 requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

4.4.2 otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

4.4.3 otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 9 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

Sponsor:

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40th Floor
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2 Queen's Road Central
Hong Kong

PART D — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER COMMODITIES

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document , or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Cash Settlement Amount**" means an amount converted (if applicable) into the Settlement Currency at the Exchange Rate calculated as follows:

(a) in the case of a series of call Warrants:

$$\text{Cash Settlement Amount per Board Lot in the Settlement Currency} = \frac{\text{Entitlement x (Closing Price - Exercise Price) x one Board Lot x Exchange Rate}}{\text{Number of Warrants per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\text{Cash Settlement Amount per Board Lot in the Settlement Currency} = \frac{\text{Entitlement x (Exercise Price - Closing Price) x one Board Lot x Exchange Rate}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Closing Price**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Commodity**" means the commodity specified as such in the relevant Supplemental Listing Document;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of Product Condition 2.1.1; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means any of the following:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on, trading on any Related Exchange in any options or futures contracts relating to the Commodity if, in any such case, that such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**" means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over commodities;

"**Relevant Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Commodity is traded, as determined by the Issuer;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the date(s) specified as such in the relevant Supplemental Listing Document provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then:

(a) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that fifth Business Day but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrant*s. The Warrants may be exercised as follows:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time; or

2.1.2 subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice.*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise.* Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date, without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments

4.1 *Market Disruption Events.* Without limiting the Issuer's discretion to determine the Closing Level as referred to in the definition of "Valuation Date" above, if a Market Disruption Event occurs, the Issuer has the right to adjust the Entitlement, the Exercise Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 9 if it determines that a Market Disruption Event has occurred.

4.2 *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

4.2.1 requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

4.2.2 otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

4.2.3 otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency, then, upon notice from the Issuer to Holders in accordance with General Condition 9 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

Sponsor:

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Cheung Kong Center
2 Queen's Road Central
Hong Kong

PART E — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER COMMODITY FUTURES

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document , or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Cash Settlement Amount**" means an amount converted (if applicable) into the Settlement Currency at the Exchange Rate calculated as follows:

(a) in the case of a series of call Warrants:

$$\text{Cash Settlement Amount per Board Lot in the Settlement Currency} = \frac{\text{Entitlement x (Closing Price - Exercise Price) x one Board Lot x Exchange Rate}}{\text{Number of Warrants per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\text{Cash Settlement Amount per Board Lot in the Settlement Currency} = \frac{\text{Entitlement x (Exercise Price - Closing Price) x one Board Lot x Exchange Rate}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Commodity**" means the commodity specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Commodity Futures**" means the contract for future delivery specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Closing Price**" means the price specified as such in the relevant Supplemental Listing Document;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of Product Condition 2.1.1; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means any of the following:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading:

   (i) on the Relevant Exchange in the Commodity Futures or securities generally; or

   (ii) on any Related Exchange in any options or futures contracts relating to the Commodity or the Commodity Futures if, in any such case, that such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of the Relevant Exchange, any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**" means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over commodity futures;

"**Relevant Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Commodity is traded, as determined by the Issuer;

"**Relevant Exchange**" means the exchange specified as such in the relevant Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the date(s) specified as such in the relevant Supplemental Listing Document provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, but will not be obliged to, determine such Closing Price by having regard to the manner in which the Relevant Exchange or the Price Source, as the case may be, determines the Closing Price.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrants.* The Warrants may be exercised as follow:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time; or

2.1.2 subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise*. Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date, without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments

4.1 *Market Disruption Events.* Without limiting the Issuer's discretion to determine the Closing Level as referred to in the definition of "Valuation Date" in Product Condition 1, if a Market Disruption Event occurs, the Issuer has the right to adjust the Entitlement, the Exercise Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 9 if it determines that a Market Disruption Event has occurred.

4.2 *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

4.2.1 requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

4.2.2 otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

4.2.3 otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 9 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

Sponsor:

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Cheung Kong Center
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Hong Kong

PART F — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER CURRENCIES

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document , or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Cash Settlement Amount**" means an amount converted (if applicable) into the Settlement Currency at the Exchange Rate calculated as follows:

(a) in the case of a series of call Warrants:

$$\text{Cash Settlement Amount per Board Lot in the Settlement Currency} = \frac{\text{Entitlement x (Closing Price - Exercise Price) x one Board Lot x Exchange Rate}}{\text{Number of Warrants per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\text{Cash Settlement Amount per Board Lot in the Settlement Currency} = \frac{\text{Entitlement x (Exercise Price - Closing Price) x one Board Lot x Exchange Rate}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Closing Price**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Currencies**" means the currencies specified as such in the relevant Supplemental Listing Document;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of Product Condition 2.1.1; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means any of the following:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading on any Related Exchange in any options or futures contracts relating to the Currency if, in any such case, that such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**" means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over currencies;

"**Related Exchange**" means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Currency is traded, as determined by the Issuer;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the date(s) specified as such in the relevant Supplemental Listing Document provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then:

(a) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that fifth Business Day but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrants.* The Warrants may be exercised as follows:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time; or

2.1.2 subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice.*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise.* Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date, without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments

4.1 *Market Disruption Events.* Without limiting the Issuer's discretion to determine the Closing Level as referred to in the definition of "Valuation Date" in Product Condition 1, if a Market Disruption Event occurs, the Issuer has the right to adjust the Entitlement, the Exercise Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 9 if it determines that a Market Disruption Event has occurred.

4.2 *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

4.2.1 requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

4.2.2 otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

4.2.3 otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 9 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

Sponsor:

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Hong Kong

PART G — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE UNIT TRUSTS

These Product Conditions will, together with the General Conditions, the supplemental terms and conditions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document , or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means, with respect to the exercise of Warrants on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4, the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing prices as may be necessary to reflect any rights issue, bonus issue, consolidation or subdivision, restructuring event or the like) for each Valuation Date;

"**Cash Settlement Amount**" means:

(a) in the case of a series of call Warrants exercised on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(b) in the case of a series of put Warrants exercised on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(c) in the case of a series of American Style call Warrants exercised on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price - Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(d) in the case of a series of American Style put Warrants exercised on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price - Closing Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Closing Price**" means, with respect to the exercise of American Style Warrants on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3, the closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing price as may be necessary to reflect any rights issue, bonus issue, consolidation or subdivision, restructuring event or the like) on the Valuation Date;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**Exercise Period**" means:

(a) in the case of American Style Warrants, the period beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Product Condition 5. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of Product Condition 2.1.1; and

(b) in the case of European Style Warrants, 10:00 a.m. on the Expiry Date;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 4;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Units any options or futures contracts relating to the Units if, in any such case, that such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single unit trusts;

"**Trust**" means the trust specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means:

(a) with respect to the exercise of Warrants on the Expiry Date in accordance with Product Conditions 3.2.4 or 3.4, each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date, a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with this paragraph (a), the closing price of the Units on the first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Average Price; or

(b) with respect to the exercise of American Style Warrants on any Exercise Date in accordance with Product Conditions 3.2.1 and 3.2.3, the Exercise Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on such Exercise Date, then the Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

(i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the bid price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided further that if the postponement of the Valuation Date in accordance with paragraphs (a) or (b) above would result in the Valuation Date falling on or after the Expiry Date then:

(aa) the Business Day immediately preceding the Expiry Date ("**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(bb) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Exercise Period

2.1 *Exercise of Warrants*. The Warrants may be exercised as follows:

2.1.1 in the case of an exercise of American Style Warrants, by valid delivery of an Exercise Notice at any time during the Exercise Period. Warrants may not be exercised at any other time;

2.1.2 Subject to Product Condition 3.4, in the case of an exercise of European Style Warrants, the Warrants will be automatically exercised at 10:00 a.m. on the Expiry Date only.

2.2 *Expiry of Warrants not exercised.* Subject to Product Conditions 3.2.4 and 3.4, any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3. Exercise of Warrants

3.1 *Exercise of Warrants in Board Lots.* Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 *Delivery of Exercise Notice.*

3.2.1 In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Holder shall deliver to the Sponsor a duly completed Exercise Notice at any time during the Exercise Period.

3.2.2 In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and the Warrants will be automatically exercised (if in the money) in accordance with Product Condition 3.4.

3.2.3 In the case of American Style Warrants, the date upon which a Warrant is, or is to be treated as, exercised shall be the Exercise Date.

3.2.4 Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Holder). The Holder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Holder the Cash Settlement Amount (if any) in accordance with General Condition 3.4.

3.2.5 Delivery of an Exercise Notice in accordance with this Product Condition 3.2 shall constitute an irrevocable election and undertaking by the Holder to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.

3.3 *Record in the register of Holders.* Subject to a valid exercise or deemed exercise of Warrants in accordance with these Product Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of each Holder from the register of Holders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless (as the case may be) and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate.

3.4 *Automatic exercise.* Any Warrants which have not been exercised in the manner set out in Product Condition 3.2 before the Expiry Date shall be automatically exercised on the Expiry Date, without notice to the Holder or the requirement of the delivery of an Exercise Notice if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Product Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in General Condition 3.4.

4. Adjustments

Adjustments may be made by the Issuer to the number of Units to which the Warrants relate on the basis of the following provisions:

4.1 *Rights Issues.* If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing bid price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Right

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions, "**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 *Bonus Issues.* If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Unit held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

4.3 *Subdivisions and Consolidations.* If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (a "**Consolidation**"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) in the same ratio as the Subdivision or Consolidation (as the case may be) on the day on which the Subdivision or Consolidation takes effect. Such adjusted Entitlement is called "**Adjusted Entitlement**". In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same date on which the Subdivision or Consolidation (as the case may be) takes effect.

4.4 *Restructuring Events.* If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

5. Termination or Liquidation

5.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5.2 For the purpose of this Product Condition 5, "**Termination**" means:

5.2.1 the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences;

5.2.2 the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;

5.2.3 the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or

5.2.4 the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to offer Units to the public in Hong Kong.

6. Delisting

6.1 *Adjustments following delisting*. If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of the Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*. Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holder, make such adjustments to the entitlements of the Holder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

Sponsor:

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APPENDIX 3 — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS

The following pages set out the Product Conditions in respect of different types of CBBCs:

PART A — PRODUCT CONDITIONS OF EUROPEAN STYLE CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions, the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document, or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Call Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

"**Cash Settlement Amount**" means:

(a) upon the occurrence of a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value determined solely by the Issuer at its discretion, which in any case cannot be lower than the Minimum Residual Value;

(ii) in respect of a series of Category N CBBCs, zero; and

(b) upon automatic exercise at expiry:

(i) in the case of a series of bull Contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Number of Contracts per Entitlement}}$$

(ii) in the case of a series of bear Contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Price - Closing Price) x one Board Lot}}{\text{Number of Contracts per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is not equal to the Strike Price;

"**Closing Price**" means the closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with the General Conditions and these Product Conditions) to such closing price as may be necessary to reflect any rights issue, bonus issue, consolidation or subdivision, restructuring event, cash dividend or the like) on the Valuation Date;

"**Company**" means the company specified as such in the relevant Supplemental Listing Document;

"**Contracts**" means the contracts specified as such in the relevant Supplemental Listing Document;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 3;

"**Funding Cost**" means an amount, as determined by the Issuer, based on:

(a) the Strike Price;

(b) the prevailing interest rate;

(c) the expected dividend yield in respect of the Shares; and

(d) the margin charged by the Issuer.

The Funding Cost can be a negative number and there is a possibility that the Funding Cost may fluctuate over the life of a CBBC;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Last Trading Day**" means the trading day on the Stock Exchange immediately preceding the Expiry Date;

"**Mandatory Call Event**" means that the Spot Price of the Shares is, during the trading hours (including the pre-opening session) on any Business Day from and including the Observation Commencement Date up to the close of the Last Trading Day:

(a) in the case of a series of bull Contracts, at or below the Call Price; or

(b) in the case of a series of bear Contracts, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Business Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Shares any options or futures contracts relating to the Shares if, in any such case, that such suspension or limitation is, in the determination of the Issuer, material; or

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Maximum Trade Price**" only applies to Category R CBBCs and means the highest Spot Price of the Shares in the MCE Valuation Period;

"**MCE Valuation Date**" means the last Business Day during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from the Trading Session in which the Mandatory Call Event occurs ("**1st Session**") and up to the end of the Trading Session immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, there is no continuous period of at least 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed during the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session), in which case the MCE Valuation Period shall be extended to the subsequent Trading Session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour (whether or not a Market Disruption Event exists or continues in such postponed Trading Session), unless the Issuer determines in its good faith that there is no continuous period of at least 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed in each Trading Session on each of the four Business Days immediately following the day on which the Mandatory Call Event occurs. In that case:

(i) the end of the last Trading Session on the fourth Business Day following the day on which the Mandatory Call Event occurs shall be deemed to be the end of the MCE Valuation Period (whether or not a Market Disruption Event exists or continues in such postponed Trading Session); and

(ii) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Stock Exchange and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Minimum Residual Value.

"**Minimum Residual Value**" only applies to Category R CBBCs and means:

(a) in the case of a series of bull Contracts:

$$\text{Minimum Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of Contracts per Entitlement}}$$

(b) in the case of a series of bear Contracts:

$$\text{Minimum Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of Contracts per Entitlement}}$$

For the avoidance of doubt, if the Minimum Residual Value is a negative figure, it shall be deemed to be zero;

"**Minimum Trade Price**" only applies to Category R CBBCs and means the lowest Spot Price of the Shares in the MCE Valuation Period;

"**Number of Contracts per Entitlement**" has the meaning given to it the relevant Supplemental Listing Document;

"**Observation Commencement Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Post MCE Trades**" means, in respect of a series of CBBCs and a Mandatory Call Event:

(a) in the case where the Mandatory Call Event occurs during a pre-opening session, the auction trades during the order matching period and all manual trades concluded after the determination of the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules); or

(b) in the case where the Mandatory Call Event occurs during a continuous trading session, all trades concluded via auto matching or manually after the Mandatory Call Event,

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of European Style CBBCs over single equities;

"**Residual Value**" only applies to Category R CBBCs and means an amount (if any) determined solely by the Issuer following a Mandatory Call Event, provided that the Residual Value must not be lower than the Minimum Residual Value. The Residual Value is determined by the Issuer by reference to the difference between the price at which hedging transactions in the Shares with respect to the CBBCs are unwound (the "**MCE Valuation Price**") and the Strike Price;

"**Settlement Date**" means three Business Days following the MCE Valuation Date or the Valuation Date (as the case may be);

"**Share**" means the share of the Company and "**Shares**" shall be construed accordingly;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during a continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session of the Stock Exchange, the final indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules);

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 3;

"**Trading Rules**" means the Rules and Regulations of the Exchange and the Options Trading Rules prescribed by the Stock Exchange from time to time;

"**Trading Session**" means the morning session or the afternoon session in which the Stock Exchange is scheduled to open for dealings in Hong Kong. For the avoidance of doubt, the pre-opening session and the morning session are considered one Trading Session;

"**Valuation Date**" means the Business Day immediately preceding the Expiry Date.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Valuation Date shall be the first succeeding Business Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Business Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Business Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price of the Shares on the basis of its good faith estimate of the bid price that would have prevailed on that fourth Business Day but for the occurrence of the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Rights, Valuation, Settlement and Payment

2.1 *Cessation of Trading and Exercise.* Trading in CBBCs on the Stock Exchange shall cease:

2.1.1 immediately upon the occurrence of a Mandatory Call Event; or

2.1.2 at the close of the Last Trading Day, whichever is earlier to occur in accordance with the requirements of the Stock Exchange.

Provided no Mandatory Call Event has occurred before the close of trading on the Stock Exchange, the CBBCs will be deemed to be automatically exercised at 10:00 a.m. on the Expiry Date.

2.2 *Mandatory Call Event.*

2.2.1 Subject to Product Condition 2.2.2, following a Mandatory Call Event, the CBBCs will terminate automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs ("**Announcement on MCE and Early Expiration**") to the Holders in accordance with General Condition 9. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value ("**Announcement on Valuation of Residual Value**") to the Holders before the end of the Trading Session immediately after the MCE Valuation Period in accordance with General Condition 9.

2.2.2 A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of HKEx; or

(b) manifest errors caused by the relevant third party price source where applicable;

and

(c) in the case of a system malfunction or other technical errors prescribed in paragraph (a) above, such event is reported by the Stock Exchange to the Issuer, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and

(d) in the case of an error by the relevant price source prescribed in paragraph (b) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked.

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which such Mandatory Call Event occurs.

2.3 *Cash Settlement upon the occurrence of a Mandatory Call Event.* Every Board Lot entitles the Holder of Category R CBBCs, upon the occurrence of a Mandatory Call Event and upon compliance with these Product Conditions, to payment of the Cash Settlement Amount, if any. No Cash Settlement Amount will be paid to the Holder of Category N CBBCs upon the occurrence of a Mandatory Call Event.

2.4 *Record in the register of Holders.* Upon early expiration of CBBCs at the occurrence of a Mandatory Call Event or exercise of CBBCs at expiry, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the register of Holders in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and, if applicable, the Global Certificate.

3. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the CBBCs relate on the basis of the following provisions:

3.1 *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1+M}{1 + (R/S) \times M} \times E$$

Where:

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing bid price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivision and Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**") the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) in the same ratio as the Subdivision or Consolidation (as the case may be) on the day on which the Subdivision or Consolidation takes effect. Such adjusted Entitlement is called "**Adjusted Entitlement**". In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Strike Price and the Call Price shall take effect on the same date on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 *Cash Dividends.* No capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Dividend Adjustment Date**") in accordance with the following formula:

Adjusted Strike Price = ESP - CD

Adjusted Call Price = ECP - CD

Where:

ESP: The existing Strike Price immediately prior to the Cash Distribution

ECP: The existing Call Price immediately prior to the Cash Distribution

CD: The Cash Distribution

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5. Delisting

5.1 *Adjustments following delisting.* If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of the Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange.* Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holder, make such adjustments to the entitlements of the Holder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding.* The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holder save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holder in accordance with General Condition 9 as soon as practicable after they are determined.

Sponsor:

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PART B — PRODUCT CONDITIONS OF EUROPEAN STYLE CALLABLE BULL/BEAR CONTRACTS OVER AN INDEX

These Product Conditions will, together with the General Conditions, the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. In respect of each series of Structured Products, in the event of any inconsistency between the General Conditions, these Product Conditions and the relevant provisions in the Supplemental Listing Document, or any two or more of them, the relevant provisions in the Supplemental Listing Document shall prevail over the General Conditions and these Product Conditions, and these Product Conditions shall prevail over the General Conditions.

1. Definitions

For the purposes of these Product Conditions:

"**Call Level**" means the level specified as such in the relevant Supplemental Listing Document;

"**Cash Settlement Amount**" means an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (a) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) upon the occurrence of a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value determined solely by the Issuer at its discretion, which in any case cannot be lower than the Minimum Residual Value;

(ii) in respect of a series of Category N CBBCs, zero; and

(b) upon automatic exercise at expiry:

(i) in the case of a series of bull Contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Level - Strike Level) x one Board Lot x Index Currency Amount}}{\text{Number of Contracts per Entitlement}}$$

(ii) in the case of a series of bear Contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Level - Closing Level) x one Board Lot x Index Currency Amount}}{\text{Number of Contracts per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Level is equal to the Strike Level;

"**Category R CBBCs**" means a series of CBBCs where the Call Level is not equal to the Strike Level;

"**Closing Level**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Contracts**" means the contracts specified as such in the relevant Supplemental Listing Document;

"**Day of Notification**" means the Trading Day of the Stock Exchange immediately following the day on which a Mandatory Call Event occurs;

"**Dealing Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with General Condition 5 and Product Condition 3;

"**First Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**Funding Cost**" means an amount, as determined by the Issuer, based on:

(a) the Strike Level;

(b) the prevailing interest rate; and

(c) the margin charged by the Issuer.

The Funding Cost can be a negative number and there is a possibility that the Funding Cost may fluctuate over the life of a CBBC;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified as such in the relevant Supplemental Listing Document;

"**Index Business Day**" means a day on which the Index or, as the case may be, the Successor Index is scheduled to be published by the Index Compiler or, as the case may be, the Successor Index Compiler and the Index Exchange is scheduled to open for dealings;

"**Index Compiler**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Exchange**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Interim Currency**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Last Trading Day**" means the trading day on the Stock Exchange immediately preceding the Expiry Date;

"**Mandatory Call Event**" means that the Spot Level of the Index is, during the trading hours of the Index Exchange on any Index Business Day from and including the Observation Commencement Date (Hong Kong time) up to the close of the Last Trading Day (Hong Kong time):

(a) in the case of a series of bull Contracts, at or below the Call Level; or

(b) in the case of a series of bear Contracts, at or above the Call Level;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on any Index Business Day or Business Day during the one-half hour period that ends at the close of trading, of any of:

 (i) the suspension or material limitation of the trading of a material number of constituent securities, contracts, commodities or currencies that comprise the Index; or

 (ii) the suspension or material limitation of the trading of constituent securities, contracts, commodities or currencies (aa) on the Relevant Exchange; or (bb) generally; or

 (iii) the suspension or material limitation of the trading of (aa) options or futures contracts relating to the Index on any Related Exchange; or (bb) options or futures generally on any options and/or futures exchanges on which options or futures contracts relating to the Index are traded; or

 (iv) the imposition of any exchange controls in respect of any currencies involved in determining the applicable Cash Settlement Amount.

 For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Stock Exchange, the Index Exchange, the Relevant Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Stock Exchange, the Index Exchange, the Relevant Exchange or any Related Exchange may, if so determined by the Issuer, constitute a Market Disruption Event;

(b) the hoisting of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal by the Hong Kong Observatory which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been hoisted or issued;

(c) a limitation or closure of the Stock Exchange, the Index Exchange, the Relevant Exchange or any Related Exchange due to any other unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Maximum Index Level**" only applies to Category R CBBCs and means the highest Spot Level of the Index in the MCE Valuation Period;

"**MCE Valuation Date**" means the last Business Day (Hong Kong time) during the MCE Valuation Period;

"**MCE Valuation Period**" means, unless otherwise specified in the relevant Supplemental Listing Document:

(a) in respect of an Index Exchange located in Hong Kong, the period commencing from the Trading Session of the Index Exchange in which the Mandatory Call Event occurs ("**1st Session**") and up to the end of the Trading Session of the Index Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, there is no continuous period of at least 1 hour during which Spot Level(s) is/are available during the 2nd Session for any reason (including without limitation a Market Disruption Event occurring and subsisting for the entire 2nd Session), in which case the MCE Valuation Period shall be extended to the subsequent Trading Session of the Index Exchange following the 2nd Session during which Spot Level(s) is/are available for a continuous period of at least 1 hour during such postponed Trading Session (whether or not a Market Disruption Event exists or continues in such postponed trading session), unless the Issuer determines in its good faith that there is no continuous period of at least 1 hour during which Spot Level(s) is/are available in each Trading Session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs. In that case:

    (i) the end of the last Trading Session of the Index Exchange on the fourth Index Business Day following the day on which Mandatory Call Event occurs shall be deemed to be the end of the MCE Valuation Period (whether or not a Market Disruption Event exists or continues in such postponed Trading Session); and

    (ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Index level published by the Index Compiler and such other factors as the Issuer may determine to be relevant in its good faith.

    For the avoidance of doubt, all Spot Level(s) available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Minimum Residual Valuation; and

(b) in respect of an Index Exchange located outside Hong Kong, the period in the Trading Session of the Index Exchange in which the Mandatory Call Event occurs;

"**Minimum Residual Value**" only applies to Category R CBBCs and means an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (a) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(i) in the case of a series of bull Contracts:

$$\text{Minimum Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Index Level - Strike Level) x one Board Lot x Index Currency Amount}}{\text{Number of Contracts per Entitlement}}$$

(ii) in the case of a series of bear Contracts:

$$\text{Minimum Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Level - Maximum Index Level) x one Board Lot x Index Currency Amount}}{\text{Number of Contracts per Entitlement}}$$

For the avoidance of doubt, if the Minimum Residual Value is a negative figure, it shall be deemed to be zero;

"**Minimum Index Level**" only applies to Category R CBBCs and means the lowest Spot Level of the Index in the MCE Valuation Period;

"**Number of Contracts per Entitlement**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Observation Commencement Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Post MCE Trades**" means, in respect of a series of CBBCs and a Mandatory Call Event:

(a) in the case where the Mandatory Call Event occurs during a pre-opening session, the auction trades during the order matching period and all manual trades concluded after the determination of the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules); or

(b) in the case where the Mandatory Call Event occurs during a continuous trading session, all trades concluded via auto matching or manually after the Mandatory Call Event,

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Price Source**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of European Style CBBCs over an index;

"**Related Exchange**" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded specified in the relevant Supplemental Listing Document;

"**Relevant Exchange**" means the exchange specified as such in the relevant Supplemental Listing Document;

"**Relevant Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Residual Value**" only applies to a series of Category R CBBCs and means an amount (if any) determined solely by the Issuer following a Mandatory Call Event, provided that the Residual Value must not be lower than the Minimum Residual Value. The Residual Value is determined by the Issuer by reference to the difference between the price at which hedging transactions in the Index or the constituent stocks comprising the Index with respect to the CBBCs are unwound (the "**MCE Valuation Price**") and the Strike Level;

"**Second Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means three Business Days following the MCE Valuation Date or the Expiry Date (as the case may be);

"**Spot Level**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Strike Level**" means the level specified as such in the relevant Supplemental Listing Document;

"**Trading Rules**" means the Rules and Regulations of the Exchange and the Options Trading Rules prescribed by the Stock Exchange from time to time;

"**Trading Session**" means the full day session or, as the case may be, the morning or the afternoon session in which the Index Exchange is scheduled to open for dealings; and

"**Valuation Date**" means the date specified as such in the relevant Supplement Listing Document.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level of the Index on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, but will not be obliged to, determine such Closing Level by having regard to the manner in which the Index Compiler, or the relevant body or entity, as the case may be, calculates the Closing Level.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the General Conditions, the relevant Supplemental Listing Document and/or the Global Certificate.

2. Rights, Valuation, Settlement and Payment

2.1 *Cessation of Trading and Exercise.* Trading in CBBCs on the Stock Exchange shall cease:

2.1.1 immediately upon the occurrence of a Mandatory Call Event; and

2.1.2 at the close of the Last Trading Day (Hong Kong time), whichever is the earlier to occur in accordance with the requirements of the Stock Exchange.

Provided no Mandatory Call Event has occurred before the close of trading on the Stock Exchange, the CBBCs will be deemed to be automatically exercised at 10:00 a.m. (Hong Kong time) on the Expiry Date.

2.2 *Mandatory Call Event*

2.2.1 Subject to Product Condition 2.2.2, following a Mandatory Call Event, the CBBCs will terminate automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs ("**Announcement on MCE and Early Expiration**") to the Holders in accordance with General Condition 9. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the "**Announcement on Valuation of Residual Value**") to the Holders before the end of the trading session of the Stock Exchange immediately after the corresponding trading session of the Stock Exchange during which the MCE Valuation Period ends, in accordance with General Condition 9.

2.2.2 A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of HKEx; or

(b) manifest errors caused by the Price Source or the Index Compiler where applicable;

and

(c) in the case of a system malfunction or other technical errors prescribed in paragraph (a) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and

(d) in the case of an error by the relevant price source prescribed in paragraph (b) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked.

in each case:

(A) in respect of an Index Exchange located in Hong Kong, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification; or

(B) in respect of an Index Exchange located outside Hong Kong:

(1) the revocation of the Mandatory Call Event is communicated to the other party by 9:00 a.m. (Hong Kong time) on the Day of Notification; and

(2) the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked on the Day of Notification.

In both cases:

(C) the Mandatory Call Event so triggered will be reversed; and

(D) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume on the trading day of the Stock Exchange immediately following the Day of Notification.

2.3 *Cash Settlement upon the occurrence of a Mandatory Call Event.* Every Board Lot entitles the Holder of Category R CBBCs, upon the occurrence of a Mandatory Call Event and upon compliance with these Product Conditions, to payment of the Cash Settlement Amount, if any. No Cash Settlement Amount will be paid to the Holder of Category N CBBCs upon the occurrence of a Mandatory Call Event.

2.4 *Record in the register of Holders.* Upon early expiration of CBBCs at the occurrence of a Mandatory Call Event or exercise of CBBCs at expiry, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the register of Holders in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and, if applicable, the Global Certificate.

3. Adjustments to the Index

3.1 *Successor Index Compiler Calculates and Reports Index.* If the Index is:

3.1.1 not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer; or

3.1.2 replaced by a successor index (the "**Successor Index**") using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that Successor Index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*. If:

3.2.1 on any Index Business Day before the Expiry Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events), or

3.2.2 on any Index Business Day before the Expiry Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event), then the Issuer shall determine the level of the Index using, in lieu of a published level for the Index, the level for the Index as at that Index Business Day as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those constituent securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the Relevant Exchange).

3.3 *Market Disruption Events*. Without limiting the provisions under the definitions of "MCE Valuation Date" and "Valuation Date" in Product Condition 1, if a Market Disruption Event occurs, the Issuer has the right to determine the Exchange Rate, the Closing Level and/or the Spot Level of the Index in its good faith accordingly. The Issuer shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 9 if it determines that a Market Disruption Event has occurred.

3.4 *Foreign Currency Controls*. If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

3.4.1 requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

3.4.2 otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

3.4.3 otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency, then, upon notice from the Issuer to Holders in accordance with General Condition 9 to such effect, Holders of the CBBCs which have expired upon the occurrence of the Mandatory Call Event or have been exercised in accordance with Product Condition 2 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the applicable Cash Settlement Amount (if any) in any other currency as determined by the Issuer.

Sponsor:

ABN AMRO Asia Limited
40th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

APPENDIX 4 — AUDITORS REPORT AND ANNUAL CONSOLIDATED FINANCIAL STATEMENTS RELATING TO ABN AMRO HOLDING N.V. AND ITS GROUP OF COMPANIES FOR THE YEAR ENDED 31 DECEMBER 2006

The information in this Appendix 4 has been extracted from the annual report of ABN AMRO Holding for the year ended 31 December 2006. References to page numbers on the following pages are to pages of such report.

We have not prepared our own consolidated accounts for the year ended 31 December 2006 but we expect that there will be no material difference between the consolidated accounts of ABN AMRO Holding and our consolidated accounts (if prepared).

Our financial statements are consolidated in ABN AMRO Holding's accounts. ABN AMRO Holding's sole purpose is to own us and our subsidiaries and it has no other unrelated assets or business.

Contents

Accounting policies

Corporate Information

ABN AMRO Holding N.V. is the ultimate parent company of the ABN AMRO consolidated group of companies (referred to as the 'Group' or 'ABN AMRO'). The Group provides a broad range of financial services on a worldwide basis, including consumer, commercial and investment banking.
At 1 January 2006, the Group changed its organisational structure, to align the organisation with the Group's mid-market strategy, and to open up its network offering and product suite to all its clients. The change to the organisational structure and the principal activities of the Group are described in more detail in note 1, Segment reporting.

ABN AMRO Holding N.V. is a public limited liability company, incorporated under Dutch law on 30 May 1990, whose registered office is Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. The Group is listed on the Stock Exchanges of Amsterdam and New York. As ordinary shares in ABN AMRO Holding N.V. are listed on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts, ABN AMRO also publishes an annual report on Form 20-F that conforms to the rules of the Securities and Exchange Commission (SEC) applicable to foreign registrants. The annual report on Form 20-F includes a reconciliation of equity and profit attributable to shareholders of the parent company to the comparable amounts using accounting principles generally accepted in the United States (US GAAP).

The consolidated financial statements of the Group for the year ended 31 December 2006 incorporate figures of the parent, its controlled entities and interests in associates. These consolidated financial statements were authorised for issuance in accordance with a resolution of the Managing Board on 14 March 2007.

Basis of preparation

ABN AMRO Group applies International Financial Reporting Standards (IFRS).

The consolidated financial statements are prepared on a mixed model valuation basis as follows:

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

The Group adopted IFRS on 1 January 2004. For all periods up to and including the year ended 31 December 2004, the Group prepared consolidated financial statements in accordance with Generally Accepted Principles in the Netherlands (Dutch GAAP). The effect of the transition to IFRS, and the elections and exemptions which where used as part of the transition process, are disclosed in note 47, First-time adoption of IFRS.

The consolidated financial statements are presented in euros, which is the presentation currency of the Group, rounded to the nearest million (unless otherwise noted). Certain amounts in the prior periods have been reclassified to conform to the current presentation.

Statement of compliance

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

Critical accounting policies

The preparation of financial statements in conformity with IFRS requires management to make difficult, complex or subjective judgements and estimates, at times, regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures. Actual results could differ from those judgements and estimates. The most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are as follows:

Allowance for loan losses

Allowances for loan losses are made to reserve for estimated losses in outstanding loans for which there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowance for loan losses is intended to adjust the value of the Group's loan assets for probable credit losses as of the balance sheet date. Allowances are determined through a combination of specific reviews, statistical modeling and estimates. Certain aspects require judgements, such as the identification of loans that are deteriorating, the determination of the probability of default, the expected loss, the value of collateral and current economic conditions. Though we consider the allowances for loan losses to be adequate, the use of different estimates and assumptions could produce different allowances for loan losses, and amendments to allowances may be required in the future, as a consequence of changes in the value of collateral, the amounts of cash to be received or other economic events. For a further discussion on our allowance for loan losses, see note 19 to our consolidated financial statements.

Fair value of financial instruments

For financial instruments that are actively traded and have quoted market prices or parameters readily available, there is little to no subjectivity to determine fair value. When observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

Where no active market exists, or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques, including discounted cash flow and other pricing models. Input to pricing models are generally taken from reliable external data sources. The models used are validated prior to use by staff independent to the initial selection or creation of the model. The degree of management judgement involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. Other factors that could affect estimates are incorrect model assumptions, market dislocations and unexpected correlation. We believe our estimates of fair value are adequate. However, the use of different models or assumptions could result in changes in our reported results. For a further discussion on the use of fair values and the impact of applying reasonable possible alternative assumptions as inputs, see note 38 to our consolidated financial statements.

Assessment of risk and rewards

When considering the recognition and derecognition of assets or liabilities, and the consolidation and deconsolidation of subsidiaries, the Group is required to use judgment in assessing risk and rewards. Although management uses its best knowledge of current events and actions in making assessments of risk and rewards, actual risks and rewards may ultimately differ.

Pension and post-retirement benefits

Significant pension and post-retirement benefit costs and credits are based on actuarial calculations. Inherent within these calculations are assumptions including: discount rates, salary increases and the expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, the return on assets or other factors. For a further discussion on the underlying assumptions, see note 28 to our consolidated financial statements.

Goodwill and intangible assets

Goodwill is not amortised but is subject to an annual test for impairment or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test. The initial recognition and measurement of goodwill and other intangibles, and subsequent impairment analysis, requires management to make subjective judgements concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine over an extended timeframe. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behaviours and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates and specific industry or market sector conditions. Other intangibles are systematically amortised over their estimated useful lives, and are subject to impairment if events or circumstances indicate a possible inability to realise their carrying amount.

Basis of consolidation

The consolidated financial statements are prepared annually for the Group for the year ended 31 December and include the parent company and its controlled subsidiaries as well as joint ventures on a proportionate share basis. The financial statements of the subsidiaries are prepared for the same reporting year using consistent accounting policies.

Subsidiaries

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

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

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

Business combinations

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

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

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

Investments in associates

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

If significant influence is held in a Private Equity portfolio the investment is designated to be held at fair value with changes through income, consistent with the management basis for such investments.

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

Jointly controlled entities

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

Non-current assets held for sale and discontinued operations

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

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

Private equity

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

Transactions eliminated on consolidation

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

Summary of significant accounting policies

Currency translation differences

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

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

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

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

Fiduciary activities

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

Income statement

Interest income and expenses

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

Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions generated as an integral part of negotiating and arranging a funding transaction with customers, such as the issuance of loans are included in the calculation of the effective interest rate and are included in interest income and expense
- Fees and commissions generated for transactions or discrete acts are recognised when the transaction or act is completed
- Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the relevant criteria have been met
- Service fees are typically recognised on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts

- Asset management fees related to investment funds are also recognised over the period the service is provided. This principle is also applied to the recognition of income from wealth management, financial planning and custody services that are provided over an extended period.

Net trading income

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

Results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of certain hedging programmes, the change in fair value of derivatives used to hedge credit risks that are not included in hedge accounting relationships, fair value changes relating to assets and liabilities designated at fair value through income and changes in the value of any related derivatives. Dividend income from non-trading equity investments is recognised when entitlement is established.

Other operating income

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

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

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

Earnings per share

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

Segment reporting

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

Financial assets and liabilities

Measurement classifications

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

Financial instruments held for trading are those that the Group holds primarily for the purpose of short-term profit-taking. These include shares, interest earning securities, and liabilities from short sales of financial instruments.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They generally arise when the Group provides money or services directly to a customer with no intention of trading or selling the loan.

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

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

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

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

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

Recognition and derecognition

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

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

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

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

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

Measurement

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

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

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

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

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

Professional securities transactions

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

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

Netting and collateral

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

Hedge accounting

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

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

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

Hedge of a net investment in a foreign operation

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

Impairment of financial assets

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

Loans and receivables

An indication that a loan may be impaired is obtained through the Group's credit review processes, which include monitoring customer payments and regular loan reviews at least every 6 or 12 months depending on the obligors' creditworthiness.

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

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

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

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

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

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

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

Other financial assets

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

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

Property and equipment

Own use assets

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

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

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

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

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

Development property

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

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

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

Investment property

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

Leasing

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

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

Intangible assets

Goodwill

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

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

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

Software

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

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

Mortgage servicing rights

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

Other intangible assets

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

Impairment of property and equipment and intangible assets

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

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

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

Pension and other post-retirement benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

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

Other post-retirement benefits

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

Share-based payments to employees

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

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

Provisions

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

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

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

Other liabilities

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

Income taxes – current and deferred

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

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

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

Issued debt and equity securities

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

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

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

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

Share capital

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

Other equity components

Currency translation account

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

Cash flow hedging reserve

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

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

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

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

Cash flow statement

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

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

Future changes in accounting policies

IFRS standards not yet effective

IFRS 7 was issued in August 2005 and is effective for annual reporting periods beginning on or after 1 January 2007. It requires entities to provide additional disclosures on financial instruments within their financial statements but does not change the recognition and measurement rules of these financial instruments.

IFRS 8 was issued in November 2006 and is effective for annual reporting periods beginning on or after 1 January 2009. The standard replaces IAS 14 'Segment Reporting' in setting out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The Group plans to adopt IFRS 8 in 2007.

IFRIC Interpretations not yet effective

IFRIC interpretation 8 'Scope of IFRS 2' was issued in January 2006 and is required to be applied for financial years beginning on or after 1 May 2006. It requires IFRS '2 Share-based Payment' to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation has no impact on the financial position or results of the Group.

IFRIC interpretation 9 'Reassessment of Embedded Derivatives' was issued in March 2006 and becomes effective for financial years beginning on or after 1 June 2006. This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract with reassessment only if there is a change to the contract that significantly modifies the cash flows. This interpretation is consistent with our accounting policies and thus will have no impact on the Group's financial statements when implemented in 2007.

IFRIC interpretation 10 'Interim Financial Reporting & Impairment' was issued in July 2006 and becomes effective for financial years beginning on or after 1 November 2006. It states that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The adoption of this interpretation will have no impact on the financial position or results of the Group.

IFRIC interpretation 11 'Group & Treasury Share Transactions' was issued in November 2006 and becomes effective for financial years beginning on or after 1 March 2007. The interpretation provides further guidance on the implementation of IFRS 2 'Share-based Payment'. The Group is still evaluating the effect of this interpretation for implementation in 2008.

Consolidated income statement for the year ended 31 December

(in millions of euros)	**2006**	2005	2004
Interest income	**37,698**	29,645	24,528
Interest expense	**27,123**	20,860	16,003
Net interest income 3	**10,575**	8,785	8,525
Fee and commission income	**7,127**	5,572	5,185
Fee and commission expense	**1,065**	881	700
Net fee and commission income 4	**6,062**	4,691	4,485
Net trading income **5**	**2,979**	2,621	1,309
Results from financial transactions **6**	**1,087**	1,281	905
Share of result in equity accounted investments **20**	**243**	263	206
Other operating income **7**	**1,382**	1,056	745
Income of consolidated private equity holdings **41**	**5,313**	3,637	2,616
Operating income	**27,641**	22,334	18,791
Personnel expenses **8**	**8,641**	7,225	7,550
General and administrative expenses **9**	**7,057**	5,553	4,747
Depreciation and amortisation **10**	**1,331**	1,004	1,218
Goods and materials of consolidated private equity holdings **41**	**3,684**	2,519	1,665
Operating expenses	**20,713**	16,301	15,180
Loan impairment and other credit risk provisions **19**	**1,855**	635	607
Total expenses	**22,568**	16,936	15,787
Operating profit before tax	**5,073**	5,398	3,004
Income tax expense **12**	**902**	1,142	715
Profit from continuing operations	**4,171**	4,256	2,289
Profit from discontinued operations net of tax **45**	**609**	187	1,651
Profit for the year	**4,780**	4,443	3,940
Attributable to:			
Shareholders of the parent company	**4,715**	4,382	3,865
Minority interests	**65**	61	75
Earnings per share attributable to the shareholders of the parent company *(in euros)* **13**			
From continuing operations			
Basic	**2.18**	2.33	1.34
Diluted	**2.17**	2.32	1.34
From continuing and discontinued operations			
Basic	**2.50**	2.43	2.33
Diluted	**2.49**	2.42	2.33

Numbers stated against items refer to the notes. The notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheet at 31 December

(in millions of euros)	**2006**	2005
Assets		
Cash and balances at central banks **14**	**12,317**	16,657
Financial assets held for trading **15**	**205,736**	202,055
Financial investments **16**	**125,381**	123,774
Loans and receivables – banks **17**	**134,819**	108,635
Loans and receivables – customers **18**	**443,255**	380,248
Equity accounted investments **20**	**1,527**	2,993
Property and equipment **21**	**6,270**	8,110
Goodwill and other intangible assets **22**	**9,407**	5,168
Assets of businesses held for sale **45**	**11,850**	–
Accrued income and prepaid expenses	**9,290**	7,614
Other assets **23**	**27,212**	25,550
Total assets	**987,064**	880,804
Liabilities		
Financial liabilities held for trading **15**	**145,364**	148,588
Due to banks **24**	**187,989**	167,821
Due to customers **25**	**362,383**	317,083
Issued debt securities **26**	**202,046**	170,619
Provisions **27**	**7,850**	6,411
Liabilities of businesses held for sale **45**	**3,707**	–
Accrued expenses and deferred income	**10,640**	8,335
Other liabilities **29**	**21,977**	18,723
Total liabilities (excluding subordinated liabilities)	**941,956**	837,580
Subordinated liabilities **31**	**19,213**	19,072
Total liabilities	**961,169**	856,652
Equity		
Share capital **32**	**1,085**	1,069
Share premium	**5,245**	5,269
Treasury shares	**(1,829)**	(600)
Retained earnings	**18,599**	15,237
Net gains/(losses) not recognised in the income statement	**497**	1,246
Equity attributable to shareholders of the parent company	**23,597**	22,221
Equity attributable to minority interests	**2,298**	1,931
Total equity	**25,895**	24,152
Total equity and liabilities	**987,064**	880,804
Credit related contingent liabilities **35**	**51,279**	46,021
Committed credit facilities **35**	**145,418**	141,010

Numbers stated against items refer to the notes. The notes to the consolidated financial statements are an integral part of these statements.

Consolidated statement of changes in equity for the year ended 31 December

(in millions of euros)	**2006**	2005	2004
Share capital			
Balance at 1 January	**1,069**	954	919
Issuance of shares	**–**	82	–
Exercised options and warrants	**16**	–	2
Dividends paid in shares	**–**	33	33
Balance at 31 December	**1,085**	1,069	954
Share premium			
Balance at 1 January	**5,269**	2,604	2,549
Issuance of shares	**–**	2,611	–
Exercised options and conversion rights	**–**	–	48
Share-based payments	**111**	87	40
Dividends paid in shares	**(135)**	(33)	(33)
Balance at 31 December	**5,245**	5,269	2,604
Treasury shares			
Balance at 1 January	**(600)**	(632)	(119)
Share buy back	**(2,204)**	32	(513)
Utilised for dividends paid in shares	**832**	–	–
Utilised for exercise of options and performance share plans	**143**	–	–
Balance at 31 December	**(1,829)**	(600)	(632)
Retained earnings*			
Balance at 1 January	**15,237**	11,580	8,469
Profit attributable to shareholders of the parent company	**4,715**	4,382	3,865
Cash dividends paid to shareholders of the parent company	**(807)**	(659)	(694)
Dividends paid in shares to shareholders of the parent company	**(656)**	–	–
Other	**110**	(66)	(60)
Balance at 31 December	**18,599**	15,237	11,580
Equity settled own share derivatives			
Balance at 1 January	**–**	–	(106)
Issuances and settlements	**–**	–	106
Balance at 31 December	**–**	–	–
Net gains/(losses) not recognised in the income statement			
Currency translation account			
Balance at 1 January	**842**	(238)	–
Transfer to income statement relating to disposals	**(7)**	(20)	2
Currency translation differences	**(427)**	1,100	(240)
Subtotal – Balance at 31 December	**408**	842	(238)
Net unrealised gains/(losses) on available-for-sale assets			
Balance at 1 January	**1,199**	830	572
Net unrealised gains/(losses) on available-for-sale assets	**(233)**	717	509
Net losses/(gains) reclassified to the income statement	**(602)**	(348)	(251)
Subtotal – Balance at 31 December	**364**	1,199	830
Cash flow hedging reserve			
Balance at 1 January	**(795)**	(283)	(165)
Net unrealised gains/(losses) on cash flow hedges	**735**	(386)	106
Net losses/(gains) reclassified to the income statement	**(215)**	(126)	(224)
Subtotal – Balance at 31 December	**(275)**	(795)	(283)
Net gains/(losses) not recognised in the income statement at 31 December	**497**	1,246	309
Equity attributable to shareholders of the parent company at 31 December	**23,597**	22,221	14,815
Minority interest			
Balance at 1 January	**1,931**	1,737	1,301
Additions	**208**	202	367
Reductions	**–**	(49)	–
Acquisitions/disposals	**203**	(136)	(30)
Profit attributable to minority interests	**65**	61	75
Currency translation differences	**(46)**	133	33
Other movements	**(63)**	(17)	(9)
Equity attributable to minority interests at 31 December	**2,298**	1,931	1,737
Total equity at 31 December	**25,895**	24,152	16,552

* *The proposed final dividend of EUR 0.60 per share for 2006 is not reflected in the movement table above and will be recorded in 2007 at the time of distribution.*

The notes to the consolidated financial statements are an integral part of these statements

Consolidated statement of comprehensive income for the year ended 31 December

(in millions of euros)	**2006**	2005	2004
Profit attributable to shareholders of the parent company	**4,715**	4,382	3,865
Gains/(losses) not recognised in income:			
Currency translation differences	**(427)**	1,100	(240)
Available-for-sale assets	**(233)**	717	509
Cash flow hedges	**735**	(386)	106
	75	1,431	375
Net unrealised (gains)/losses reclassified to income:			
Currency translation differences relating to disposed subsidiaries	**(7)**	(20)	2
Available-for-sale assets	**(602)**	(348)	(251)
From cash flow hedging reserve	**(215)**	(126)	(224)
	(824)	(494)	(473)
Comprehensive income for the year	**3,966**	5,319	3,767

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

Consolidated cash flow statement for the year ended 31 December

(in millions of euros)	**2006**	2005	2004
Operating activities			
Profit for the year	**4,780**	4,443	3,940
Less: Profit from discontinued operations	**609**	187	1,651
Profit from continuing operations	**4,171**	4,256	2,289
Adjustments for significant non-cash items included in income			
Depreciation, amortisation and impairment	**1,331**	1,004	1,218
Loan impairment losses	**2,108**	871	777
Share of result in equity accounted investments	**(243)**	(263)	(206)
Movements in operating assets and liabilities			
Movements in operating assets **36**	**(77,392)**	(105,368)	(119,343)
Movements in operating liabilities **36**	**64,981**	80,461	98,722
Other adjustments			
Dividends received from equity accounted investments	**72**	63	59
Net cash flows from operating activities from continuing operations	**(4,972)**	(18,976)	(16,484)
Net cash flows from operating activities from discontinued operations	**314**	200	437
Investing activities			
Acquisition of investments	**(180,228)**	(142,423)	(78,760)
Sales and redemption of investments	**172,454**	129,811	76,338
Acquisition of property and equipment	**(1,138)**	(2,028)	(1,966)
Sales of property and equipment	**255**	1,063	1,131
Acquisition of intangibles (excluding goodwill and MSRs)	**(800)**	(431)	(335)
Sales of intangibles (excluding goodwill and MSRs)	**12**	9	50
Acquisition of subsidiaries and equity accounted investments	**(7,449)**	(1,702)	(276)
Disposal of subsidiaries and equity accounted investments	**258**	530	153
Net cash flows from investing activities from continuing operations	**(16,636)**	(15,171)	(3,665)
Net cash flows from investing activities from discontinued operations	**1,574**	(14)	2,513
Financing activities			
Issuance of subordinated liabilities	**4,062**	2,975	2,203
Repayment of subordinated liabilities	**(4,430)**	(1,664)	(2,690)
Issuance of other long-term funding	**35,588**	35,483	21,863
Repayment of other long-term funding	**(14,343)**	(6,453)	(6,180)
Proceeds from the issue of shares	**–**	2,491	–
Net (decrease)/increase in treasury shares	**(2,061)**	32	(513)
Other	**276**	92	334
Dividends paid	**(807)**	(659)	(694)
Net cash flows from financing activities from continuing operations	**18,285**	32,297	14,323
Net cash flows from financing activities from discontinued operations	**–**	(1,185)	2,422
Movement in cash and cash equivalents	**(1,435)**	(2,849)	(454)
Cash and cash equivalents at 1 January	**6,043**	8,603	9,016
Currency translation differences	**264**	289	41
Cash and cash equivalents at 31 December 36	**4,872**	6,043	8,603

Numbers stated against items refer to the notes. The notes to the consolidated financial statements are an integral part of these statements.

Notes to the consolidated financial statements

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

1 Segment reporting

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

Measurement of segment assets, liabilities, income and results is based on the Group's accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Business segments

Below the business segments are detailed. In the 'Business review' chapter of the Annual Report more detailed descriptions of the activities of these segments have been included.

Netherlands

BU Netherlands serves a diverse client base that comprises consumer and commercial clients.
BU Netherlands offers a broad range of investment, commercial and retail banking products and services via its multi-channel service model consisting of a network of branches, internet banking facilities, a customer contact center and ATMs throughout the Netherlands. BU Netherlands focuses increasingly on mass affluent customers and commercial mid-market clients. BU Netherlands also comprises the ABN AMRO Mortgage Group including the former Bouwfonds mortgage activities. The non-mortgage activities of Bouwfonds were sold during the year.

Europe (including Antonveneta)

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

BU Europe combines activities in 27 countries: 23 countries in Europe (excluding the Netherlands) along with Kazakhstan, Uzbekistan, Egypt and South Africa.

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

Antonveneta is rooted in north-eastern Italy, and focuses on consumer and commercial mid-market clients.

North America

The core of BU North America is LaSalle Bank, headquartered in Chicago, Illinois. BU North America serves a large number of clients, including small businesses, mid-market companies, larger corporates, institutions, non-profit entities and municipalities in the US and Canada. BU North America offers a broad range of investment, commercial and retail banking products and services through a network of branches and ATMs in Illinois, Michigan and Indiana. BU North America focuses increasingly on mass affluent customers and commercial mid-market clients. While based in the US Midwest, BU North America reaches further through an expanding network of regional commercial banking offices across the US.

Latin America

BU Latin America has a presence in nine Latin American countries: Brazil, Argentina, Chile, Colombia, Ecuador, Mexico, Paraguay, Uruguay and Venezuela, with the presence of Banco Real representing the majority of the operations. In Brazil, Banco Real is a retail and commercial bank, offering full retail, corporate and investment banking products and services. It operates as a universal bank offering financial services through an extensive network of branches, points-of-sale and ATMs. BU Latin America also has a strong presence in the Brazilian consumer finance business through its Aymoré franchise, focused on vehicle and other consumer goods financing.

Asia

ABN AMRO has been operating for well over 100 years in several Asian countries including Indonesia, China, Singapore and Japan. BU Asia now covers 16 countries and territories and is extending its branches and offices network. BU Asia's client base includes commercial clients as well as consumer and private banking clients.

Global Clients

BU Global Clients serves a range of major corporate and institutional clients that demand sophisticated financial solutions customised to their specific needs.

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

Private Clients

BU Private Clients offers private banking services to wealthy individuals and institutions with EUR 1 million or more in net investable assets. In the past few years, BU Private Clients built up an onshore private banking network in continental Europe through organic growth in the Netherlands and France, and through the acquisition of Delbrück Bethmann Maffei in Germany and Bank Corluy in Belgium.

Asset Management

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

Private Equity

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

Group Functions, including Group Services

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

Group Functions includes Group Asset and Liability Management, which manages an investment and derivatives portfolio in order to manage the liquidity and interest rate risks of the Group. Group Functions also holds the Group's strategic investments, proprietary trading portfolio and records any related profits or losses.

Business segment information for the year ended 31 December 2006

	Netherlands	Europe	North America	Latin America	Asia	Global Clients	Private Clients	Asset Management	Private Equity	Group Functions	Total
Net interest income – external	2,574	3,414	2,224	2,970	240	1,355	(959)	9	(160)	(1,092)	**10,575**
Net interest income – other segments	504	(2,098)	124	(65)	271	(800)	1,503	(24)	(139)	724	**–**
Net fee and commission income – external	711	1,011	653	449	496	1,256	671	704	18	93	**6,062**
Net fee and commission income – other segments	40	(228)	44	35	97	(10)	29	13	(6)	(14)	**–**
Net trading income	486	1,032	229	209	310	563	64	(4)	13	77	**2,979**
Result from financial transactions	28	169	155	34	12	41	4	40	422	182	**1,087**
Share of result in equity accounted investments	51	1	4	55	62	–	2	1	–	67	**243**
Other operating income	246	111	313	51	31	3	75	89	2	461	**1,382**
Income of consolidated private equity holdings	–	–	–	–	–	–	–	–	5,313	–	**5,313**
Total operating income	4,640	3,412	3,746	3,738	1,519	2,408	1,389	828	5,463	498	**27,641**
Total operating expenses	3,118	2,743	2,457	2,219	1,089	2,144	956	528	5,031	428	**20,713**
Loan impairment and credit risk provisions	359	397	38	722	218	(27)	40	–	26	82	**1,855**
Total expenses	3,477	3,140	2,495	2,941	1,307	2,117	996	528	5,057	510	**22,568**
Operating profit / (loss) before taxes	1,163	272	1,251	797	212	291	393	300	406	(12)	**5,073**
Income tax expense	319	229	167	149	101	(13)	121	65	(3)	(233)	**902**
Profit from continuing operations	844	43	1,084	648	111	304	272	235	409	221	**4,171**
Profit from discontinued operations net of tax	505	–	104	–	–	–	–	–	–	–	**609**
Profit for the year	1,349	43	1,188	648	111	304	272	235	409	221	**4,780**
Other information at 31 December 2006											
Total assets	169,862	390,326	163,276	36,169	60,187	69,443	20,510	1,402	7,706	68,183	**987,064**
Of which equity accounted investments	189	14	–	39	369	–	6	10	23	877	**1,527**
Total liabilities	168,755	385,016	156,100	31,415	58,307	61,314	19,012	1,044	6,560	73,646	**961,169**
Capital expenditure	373	130	181	142	85	1	39	17	451	204	**1,623**

Business segment information for the year ended 31 December 2005

	Nether-lands	Europe	North America	Latin America	Asia	Global Clients	Private Clients	Asset Manage-ment	Private Equity	Group Func-tions	Total
Net interest income – external	758	2,163	2,291	2,225	323	1,549	(690)	(11)	(93)	270	**8,785**
Net interest income – other segments	2,570	(2,411)	(80)	(15)	241	(903)	1,219	17	(107)	(531)	**–**
Net fee and commission income – external	604	450	730	377	378	831	583	590	26	122	**4,691**
Net fee and commission income – other segments	106	(149)	4	2	43	–	29	6	(9)	(32)	**–**
Net trading income	392	957	269	57	131	711	44	14	(13)	59	**2,621**
Result from financial transactions	2	25	79	11	4	121	11	55	353	620	**1,281**
Share of result in equity accounted investments	13	3	4	37	73	–	1	18	–	114	**263**
Other operating income	184	72	224	369	44	13	100	23	1	26	**1,056**
Income of consolidated private equity holdings	–	–	–	–	–	128	–	–	3,509	–	**3,637**
Total operating income	4,629	1,110	3,521	3,063	1,237	2,450	1,297	712	3,667	648	**22,334**
Total operating expenses	3,282	1,208	2,299	1,848	914	1,869	915	501	3,391	74	**16,301**
Loan impairment and credit risk provisions	285	(35)	(86)	348	27	(50)	16	–	34	96	**635**
Total expenses	3,567	1,173	2,213	2,196	941	1,819	931	501	3,425	170	**16,936**
Operating profit / (loss) before taxes	1,062	(63)	1,308	867	296	631	366	211	242	478	**5,398**
Income tax expense	323	40	273	265	90	78	87	40	(21)	(33)	**1,142**
Profit / (loss) from continuing operations	739	(103)	1,035	602	206	553	279	171	263	511	**4,256**
Profit from discontinued operations net of tax	136	–	51	–	–	–	–	–	–	–	**187**
Profit / (loss) for the year	875	(103)	1,086	602	206	553	279	171	263	511	**4,443**
Other information at 31 December 2005											
Total assets	176,874	304,818	148,392	27,903	57,280	54,585	19,111	1,199	7,293	83,349	**880,804**
Of which equity accounted investments	163	27	–	40	371	–	5	13	7	2,367	**2,993**
Total liabilities	175,851	300,386	142,426	23,812	55,746	53,267	17,642	1,051	6,268	80,203	**856,652**
Capital expenditure	286	91	301	145	70	25	26	41	190	91	**1,266**

Business segment information for the year ended 31 December 2004

	Netherlands	Europe	North America	Latin America	Asia	Global Clients	Private Clients	Asset Management	Private Equity	Group Functions	Total
Net interest income – external	1,234	1,391	2,681	1,688	334	1,423	(429)	(12)	(80)	295	**8,525**
Net interest income – other segments	1,857	(1,180)	(349)	(152)	87	(855)	888	17	(33)	(280)	**–**
Net fee and commission income – external	628	458	632	340	394	860	537	531	8	97	**4,485**
Net fee and commission income – other segments	40	(46)	(13)	4	(11)	–	23	4	–	(1)	**–**
Net trading income	213	179	182	(6)	120	519	53	9	3	37	**1,309**
Result from financial transactions	19	(118)	(196)	(4)	(3)	133	1	10	579	484	**905**
Share of result in equity accounted investments	32	–	2	9	127	–	14	2	–	20	**206**
Other operating income	204	(6)	288	152	22	8	59	34	(25)	9	**745**
Income of consolidated private equity holdings	–	–	–	–	–	–	–	–	2,616	–	**2,616**
Total operating income	4,227	678	3,227	2,031	1,070	2,088	1,146	595	3,068	661	**18,791**
Total operating expenses	3,525	1,293	2,164	1,386	710	1,782	869	444	2,614	393	**15,180**
Loan impairment and credit risk provisions	177	(60)	161	230	3	49	7	–	16	24	**607**
Total expenses	3,702	1,233	2,325	1,616	713	1,831	876	444	2,630	417	**15,787**
Operating profit / (loss) before taxes	525	(555)	902	415	357	257	270	151	438	244	**3,004**
Income tax expense	159	(131)	161	174	83	68	78	46	33	44	**715**
Profit / (loss) from continuing operations	366	(424)	741	241	274	189	192	105	405	200	**2,289**
Profit from discontinued operations net of tax	146	–	58	–	240	–	–	–	–	1,207	**1,651**
Profit / (loss) for the year	512	(424)	799	241	514	189	192	105	405	1,407	**3,940**
Other information at 31 December 2004											
Total assets	174,102	236,558	129,834	18,371	46,943	32,137	16,416	954	4,136	68,003	**727,454**
Of which equity accounted investments	140	19	–	22	253	–	5	12	5	972	**1,428**
Total liabilities	202,650	196,839	123,702	15,703	41,164	35,899	45,307	1,113	2,843	45,682	**710,902**
Capital expenditure	367	57	380	112	50	26	48	6	83	23	**1,152**

Geographical segments

The geographical analysis presented below is based on the location of the Group entity in which the transactions are recorded.

	2006			2005			2004		
	Operating income	Total assets	Capital expenditure	Operating income	Total assets	Capital expenditure	Operating income	Total assets	Capital expenditure
The Netherlands	**11,440**	**289,984**	**899**	9,255	285,073	577	8,497	267,222	473
Europe	**6,040**	**419,691**	**179**	4,672	332,922	153	2,324	254,562	122
North America	**4,041**	**168,533**	**315**	3,911	167,128	314	4,467	133,592	391
Latin America	**3,961**	**36,976**	**141**	3,271	28,420	145	2,305	18,274	113
Asia Pacific	**2,159**	**71,880**	**89**	1,225	67,261	77	1,198	53,804	53
Total	**27,641**	**987,064**	**1,623**	22,334	880,804	1,266	18,791	727,454	1,152

2 Acquisitions and disposals of subsidiaries

Major acquisitions in 2006, 2005 and 2004

The following major acquisitions were made in 2006, 2005 and 2004 and were accounted for using the purchase method:

	% acquired	Consideration	Total assets	Acquisition date
Acquired companies				
2006				
Antonveneta	100	7,499	49,367	various
Private equity acquisitions	51-100	105	1,295	various
2005				
Bank Corluy	100	50	121	April 2005
Private equity acquisitions	51-100	43	2,174	various
2004				
Bethmann Maffei	100	110	812	January 2004
Private equity acquisitions	51-100	112	963	various

Acquisitions 2006

Antonveneta

On 2 January 2006 the Group acquired a controlling interest in Banca Antoniana Popolare Veneta (Antonveneta) in order to increase its mid-market footprint, and accelerate the existing partnership that gives access to the large Italian banking market and the customer base of Antonveneta.

During 2005 the Group had already increased its interest in Antonveneta from 12.7% to 29.9%. The purchase of 79.9 million shares of Antonveneta from Banca Popolare Italiana on 2 January 2006 resulted in the Group acquiring a controlling 55.8% share. Following purchases of shares in the open market, a public offering and the exercise of the Group's right under Italian law to acquire minority share holdings, ABN AMRO now owns 100% of the outstanding share capital of Antonveneta.

The Group paid EUR 26.50 per share for Antonveneta, representing a total consideration of EUR 7,499 million. Total goodwill arising from the acquisition amounted to EUR 4,399 million, reflecting final adjustments to the purchase price and an adjustment to the fair value of the purchased loan portfolio over and above the provisional goodwill amount calculated at EUR 4,273 million as at 2 January 2006. For further details on the purchase price adjustments and goodwill calculation please refer to note 22. In addition, the Group has recognised newly identifiable intangible assets amounting to EUR 1,194 million. For further details on intangible assets please refer to note 22.

The impact of consolidating Antonveneta in the figures of ABN AMRO Holding N.V. as at 31 December 2006 can be summarised as follows:

	Year ended 31 December 2006
Income statement	
Operating income	2,071
Operating expenses	1,310
Loan impairment and other credit risk provisions	382
Operating profit before tax	379
Income tax expense	187
Profit for the year	192

	31 December 2006
Balance sheet	
Loans and receivables – banks	4,640
Loans and receivables – customers	38,070
Sundry assets	8,775
Total assets	51,485
Due to banks	11,777
Due to customers	19,742
Issued debt securities	9,803
Sundry liabilities	6,623
Total liabilities	47,945

BU Asset Management

In February 2006, BU Asset Management acquired International Asset Management, a 'fund of hedge funds' manager. The integration of this acquisition was completed in May 2006. In June 2006, BU Asset Management increased its share in its Beijing joint venture to 49% and changed local partner from XiangCai Securities to Northern Trust, a member of Tianjin TEDA holdings.

VermogensGroep

In October 2006, the Group acquired a majority share in VermogensGroep to expand its Private Clients business in the Netherlands.

Banco ABN AMRO Real

On 20 September 2006, ABN AMRO exercised its right to call Banca Intesa's remaining 3.86% holding in Banco ABN AMRO Real. The total consideration for the acquisition of the shares amounted to EUR 233 million. After the exercise of the rights ABN AMRO owns 97.5% of the shares in Banco ABN AMRO Real.

Capitalia

On 18 October 2006 the Group purchased 24.6 million shares, representing a stake of 0.95%, in Capitalia from Pirelli S.p.A. After this purchase the Group has a stake of 8.60% in Capitalia. The consideration paid for the shares amounted to EUR 165 million.

Private Equity

Major new buy-out investments in 2006 were:

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

Disposals 2006

Asset Management

In April 2006 BU Asset Management disposed of its US mutual fund business to Highbury Financial Inc. The sale involved 19 mutual funds accounting for USD 6 billion assets under management. The net profit on the sale amounted to EUR 17 million. In July 2006, BU Asset Management sold its onshore Taiwanese asset management business to ING Group. The profit on the sale amounted to EUR 38 million, included in other operating income.

Kereskedelmi és Hitelbank Rt

In May 2006, ABN AMRO completed the sale of its 40% participation in Kereskedelmi és Hitelbank Rt of Hungary, as announced in December 2005, for a consideration of EUR 510 million to KBC Bank. The profit recognised on the sale included in other operating income is EUR 208 million.

Global Futures business

On 30 September 2006 ABN AMRO sold the Global Futures business for an amount of EUR 305 million (USD 386 million). The net profit on the sale amounted to EUR 190 million (EUR 229 million gross). During 2006 the Global Futures business contributed EUR 163 million of operating income and a net loss of EUR 24 million.

Private Clients

In May 2006, BU Private Clients sold its business in Denmark and in December 2006 it disposed of its business in Monaco, to focus on growth in other private banking markets and further enhance the efficiency of its global structure.

Bouwfonds non-mortgage

On 1 December 2006 the Group disposed of the property development and management activities of its Bouwfonds subsidiary. The Bouwfonds Property Development, Bouwfonds Asset Management, Bouwfonds Fondsenbeheer, Rijnlandse Bank and Bouwfonds Holding were sold to Rabobank for a cash consideration of EUR 852 million and the Bouwfonds Property Finance activities were sold to SNS Bank for a cash consideration of EUR 825 million. The total net gain on the sale of Bouwfonds amounted to EUR 338 million.

The operating result and disposal gain of the Bouwfonds businesses sold have been reported as discontinued operations in the income statement.

Private Equity

In 2006 major divestments were:

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

Acquisitions 2005

Bank Corluy

In April 2005 the acquisition of the Belgian private bank Bank Corluy was completed. The purchase price amounted to EUR 50 million. Total Assets under Management of this entity were over EUR 1.5 billion. The net asset value acquired amounted to EUR 20 million, resulting in capitalised goodwill of EUR 30 million.

Bouwfonds

In April 2005, we exercised our right to acquire the cumulative preference shares of Bouwfonds in order to obtain full legal control, in addition to the 100% economic interest we acquired in 2000.

Artemis

In December 2005, we increased our shareholding in the UK based asset management company Artemis from 58% to 71%. The consideration paid for this increase amounted to EUR 107 million.

Private Equity

Major new buy-out investments in 2005 were:

- FlexLink (Sweden, engineering)
- Strix (UK, engineering)
- Fortex (Netherlands, support services)
- Loparex (Finland, industrial products)
- Everod (Australia, medical services)
- Bel'm (France, consumer products)
- IMCD (Netherlands, chemicals), Nueva Terrain (Spain, construction)
- Roompot (Netherlands, leisure)
- Scotts and McColls (Australia, transportation)
- Bonna Sabla (France, industrial products & services)
- Bianchi Vending (Italy, business products & supplies).

Disposals 2005

ABN AMRO Trust Holding

In June 2005, the sale of ABN AMRO Trust Holding to Equity Trust was completed. The Trust and Management Services performed in Asia, Europe and the Caribbean were transferred to Equity Trust. The profit on the sale amounted to EUR 17 million.

Nachenius Tjeenk & Co.

In July 2005, the sale of Nachenius Tjeenk to BNP Paribas was completed. The net profit on sale amounted to EUR 38 million.

Real Seguros S.A.
In July 2005, ABN AMRO and Tokio Marine & Nichido Fire Insurance Co., Ltd. ('TMNF'), an integral subsidiary of Millea Holdings, Inc. announced that TMNF would purchase from ABN AMRO 100% of Real Seguros S.A., and establish a 50/50 joint venture in Real Vida e Previdência S.A. As part of the agreement, ABN AMRO agreed to distribute on an exclusive basis through its retail network in Brazil, insurance and pension products. The net profit on the sale amounted to EUR 196 million.

Private Equity
In 2005 major divestments were:
- Handicare (Norway, medical equipment)
- MobilTel (Bulgaria, communications)
- AUSDOC (Australia, support services)
- Puzzler Media (UK, media).

Dilution of investment 2005
Capitalia
In December 2005, Capitalia issued additional shares. Because we did not participate in this offering, our shareholding reflects a dilutive effect and decreased from 9% to 8%.

Acquisitions 2004
Bethmann Maffei
In January 2004, we acquired Bethmann Maffei, a private bank in Germany for EUR 110 million. We then merged it with Delbrück & Co to form Delbrück Bethmann Maffei. With more than EUR 10 billion in Assets under Management, Delbrück Bethmann Maffei is one of the top five private banks in Germany.

Sparebank 1 Aktiv Forvaltning
In February 2004, we acquired the asset management activities of Sparebank 1 Aktiv Forvaltning of Norway.

Disposals 2004
Bank Austria
In February 2004, we sold our stake in Bank Austria for a net profit of EUR 115 million.

US Professional Brokerage
In April 2004, we sold our US Professional Brokerage unit to Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Bank of Asia
In July 2004, we sold our controlling 80.77% interest in Bank of Asia in Thailand to the United Overseas Bank for a total cash consideration of THB 22,019 million or EUR 442 million as per 27 July 2004. The operating result and disposal gain of EUR 224 million have been reported as discontinued operations in the profit and loss account.

LeasePlan Corporation
In November 2004, we sold LeasePlan Corporation of the Netherlands for a net profit of EUR 844 million (under Dutch GAAP) to a consortium of investors led by Volkswagen Group. The operating result and disposal gain have been reported as discontinued operations in the profit and loss account.

Executive Relocation Corporation
In November 2004, we sold our US employee relocation management and consulting firm, Executive Relocation Corporation, to SIRVA Inc. of the United States for USD 100 million.

US defined contribution pensions administration business

On 31 December 2004, Business Unit Asset Management sold its US defined contribution pensions (401(k)) administration business to Principal Financial Group of the United States.

3 Net interest income

	2006	2005	2004
Interest income from:			
Cash and balances at central banks	**459**	348	218
Financial assets held for trading	**2,101**	1,559	1,389
Financial investments	**5,433**	5,191	4,186
Loans and receivables – banks	**4,001**	2,660	2,078
Loans and receivables – customers	**25,704**	19,887	16,657
Subtotal	**37,698**	29,645	24,528
Interest expense from:			
Financial liabilities held for trading	**1,289**	1,054	976
Due to banks	**5,449**	5,037	3,941
Due to customers	**12,208**	9,616	7,254
Issued debt securities	**7,140**	4,160	2,744
Subordinated liabilities	**1,037**	993	1,088
Subtotal	**27,123**	20,860	16,003
Total	**10,575**	8,785	8,525

4 Net fee and commission income

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

5 Net trading income

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

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

6 Results from financial transactions

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

The net gain on other equity investments includes gains and losses arising on investments held at fair value and the result on the sale of consolidated holdings of a private equity nature.

The Group enters into credit default swaps for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships due to difficulties in demonstrating that the relationship will be highly effective. Accordingly any fair value changes are recorded directly in income, while the gains and losses on the credit positions hedged are accrued in interest income and expense and as impairment and other credit related provisions if any.

7 Other operating income

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

Income from insurance activities can be analysed as follows:

	2006	2005	2004
Premium income	**1,273**	1,182	1,243
Investment income	**308**	406	300
Provision for insured risk	**(1,478)**	(1,438)	(1,366)
Total	**103**	150	177

The 2006 result on disposal of operating activities (not qualifying as discontinued operations) and equity accounted investments includes the profit recognised on the following sales: Kereskedelmi és Hitelbank Rt to KBC Bank of EUR 208 million, the Global Futures business to UBS of EUR 229 million, Asset Management Taiwan to ING Group of EUR 38 million and Asset Management Mutual Funds USA to Highbury Financial Inc. of EUR 17 million.

In 2006 an amount of EUR 110 million has been recognised in relation to the settlement of a claim regarding a former subsidiary of our US operations in the line Other.

8 Personnel expenses

	2006	2005	2004
Salaries (including bonuses and allowances)	**6,469**	5,686	5,413
Social security expenses	**873**	710	592
Pension and post-retirement healthcare costs	**404**	11	373
Share-based payment expenses	**78**	61	4
Temporary staff costs	**309**	228	196
Termination payments	**144**	174	191
Restructuring related costs **11**	**153**	42	502
Other employee costs	**211**	313	279
Total	**8,641**	7,225	7,550
***Average number of employees** (fte):*			
Banking activities Netherlands	**26,260**	26,960	27,819
Banking activities foreign countries	**79,173**	66,054	65,957
Consolidated private equity holdings **41**	**29,945**	22,201	17,938
Total	**135,378**	115,215	111,714

The 2006 increase in Salaries is mainly due to the consolidation of Antonveneta and increased bonus expenses in relation to our BU Global Markets activities.

9 General and administrative expenses

	2006	2005	2004
Professional fees	**1,376**	1,055	763
Information technology expenses	**1,311**	909	800
Property costs	**918**	751	725
Staff related expenses (including training)	**204**	179	149
Travel and transport	**350**	296	258
Stationary and printing expense	**112**	114	111
Communication and information	**603**	461	455
Commercial expenses	**656**	547	410
Expenses of consolidated private equity holdings	**466**	352	284
Restructuring related costs **11**	**(27)**	(9)	179
Sundry expenses	**1,088**	898	613
Total	**7,057**	5,553	4,747

10 Depreciation and amortisation

	2006	2005	2004
Property depreciation	**207**	145	153
Equipment depreciation	**551**	538	512
Software amortisation	**385**	272	274
Amortisation of other intangible assets	**170**	16	2
Impairment losses on goodwill of private equity investments	**1**	19	124
Impairment losses on property and equipment	**1**	9	38
Impairment of property and equipment from restructuring 11	**16**	4	109
Impairment of software	**–**	1	6
Total	**1,331**	1,004	1,218

This item includes EUR 212 million (2005: EUR 133 million and 2004: EUR 151 million) of depreciation, amortisation and impairments charged by consolidated private equity holdings (see note 41). Amortisation of other intangible assets in 2006 mainly relate to Antonveneta (see note 22).

11 Restructuring costs

The following table summarises the Group's restructuring costs as included in the relevant cost categories.

	2006	2005	2004
Personnel related costs	**153**	42	502
Other administrative expenses	**(27)**	(9)	179
Impairment of property and equipment	**16**	4	109
Total	**142**	37	790

Restructuring charges and releases in income statements

Restructuring charges of EUR 137 million have been accounted for in relation to the services and IT alignment initiatives. Also restructuring costs of EUR 123 million have been recognised in respect of the efficiency improvement initiatives in Group Functions, North America and Global Markets activities, as included in our regional BUs:

- The Group has identified opportunities to improve productivity and efficiency whilst maintaining an effective control framework at all times. This affects mainly the head office and predominantly Group Risk Management and corporate IT projects through acceleration of the implementation of the IT operating model for Group Functions. The restructuring provision accounted for in relation to this amounts to EUR 47 million.
- In order to bring the efficiency ratio in line with peers a process of continuous efficiency improvement has started in BU North America. The first step was the announcement at the end of 2006 to reduce BU North America's workforce. A provision expense of EUR 41 million has been recorded in respect of this.
- Global Markets, as reflected in the regions, announced further initiatives to improve the efficiency ratio. A provision of EUR 85 million, including EUR 25 million in the Services initiative and EUR 25 million in the Europe IT provision, has been recorded to support the initiative.

- The Services Operations organisation is responsible for the Group's internal services such as transaction processing, clearing and settlement. The Services Operations initiative brings together a portfolio of projects, covering the whole scope of the global banking operations and improving the efficiency of the internal processes. The initiative is being implemented over a three-year timeframe (2006-2008). The initiative will mainly impact operations in the Netherlands, United States, Brazil and United Kingdom. The total amount provided is EUR 108 million, of which EUR 25 million relating to Global Markets, as reflected in the regions.
- ABN AMRO will further aligns all IT areas within the bank to the global Services IT model previously established. All sourcing is brought under a single governance structure, supported by a multi-vendor operating model. In Europe, the IT alignment primarily has consequences for the IT-related activities in the UK. This happens through consolidation of infrastructure estate and further off shoring of application development. It will also leads to a significant reduction in contractors and consultants. Total amount provided is EUR 29 million, of which EUR 25 million to Global Markets, as reflected in the regions.

A review performed on various restructuring provisions established in prior years has led to a release of EUR 118 million. This review assessed the status of existing restructuring initiatives, contemplated the impact of new plans and identified releases including those arising from higher levels of voluntary leavers due to stronger than expected employment markets.

12 Income tax expense

Recognised in the income statement

	2006	2005	2004
Current tax expense			
Current year	**944**	1,106	1,186
Under/(over) provided in prior years	**(96)**	(87)	(30)
Subtotal	**848**	1,019	1,156
Deferred tax expense			
Origination and reversal of timing differences	**322**	257	(373)
Reduction in tax rate	**(141)**	(35)	(13)
Subtotal	**181**	222	(386)
Total	**1,029**	1,241	770
Continuing operations	**902**	1,142	715
Discontinued operations	**138**	99	55
Taxation on disposal	**(11)**	–	–
Total	**1,029**	1,241	770

The Group made net cash income tax payments of EUR 1.2 billion in 2006 (2005: EUR 1.1 billion).

Reconciliation of the total tax charge

The effective tax rate on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Netherlands. The difference can be explained as follows:

(in percentages points)	**2006**	2005	2004
Dutch tax rate	**29.6**	31.5	34.5
Effect of tax rate in foreign countries	**(2.1)**	(5.0)	(4.2)
Effect of previously unrecognised tax losses utilised	**–**	(0.8)	–
Effect of tax-exempt income in the Netherlands	**(7.2)**	(1.2)	(3.7)
Other	**(2.6)**	(2.7)	(3.0)
Effective tax rate on operating profit	**17.7**	21.8	23.6

Recognised directly in equity

(benefits) / charges	**2006**	2005	2004
Relating to currency translation	**114**	(198)	51
Relating to cash flow hedges	**(223)**	(235)	(54)
Relating to available-for-sale assets	**190**	169	118
Total	**81**	(264)	115

13 Earnings per share

The calculations for basic and diluted earnings per share are presented in the following table.

	2006	2005	2004
Profit for the year attributable to shareholders of the parent company	**4,715**	4,382	3,865
Profit from continuing operations attributable to shareholders of the parent company	**4,106**	4,195	2,214
Profit from discontinued operations attributable to shareholders of the parent company	**609**	187	1,651
Weighted average number of ordinary shares outstanding (in millions)	**1,882.5**	1,804.1	1,657.6
Dilutive effect of staff options (in millions)	**7.5**	4.3	3.1
Conditional share awards (in millions)	**5.5**	1.3	1.0
Diluted number of ordinary shares (in millions)	**1,895.5**	1,809.7	1,661.7
Earnings per share from continuing operations			
Basic earnings per ordinary share (in euros)	**2.18**	2.33	1.34
Fully diluted earnings per ordinary share (in euros)	**2.17**	2.32	1.34
Earnings per share from continuing and discontinued operations			
Basic earnings per ordinary share (in euros)	**2.50**	2.43	2.33
Fully diluted earnings per ordinary share (in euros)	**2.49**	2.42	2.33
Number of ordinary shares outstanding as at 31 December (in millions)	**1,853.8**	1,877.9	1,669.2
Net asset value per ordinary share (in euros)	**12.73**	11.83	8.88
Number of preference shares outstanding as at 31 December (in millions)	**1,369.8**	1,369.8	1,369.8
Return on average shareholders' equity (in %)	**20.7**	23.5	29.7

14 Cash and balances at central banks

This item includes cash on hand and deposits with central banks in countries in which the bank has a presence.

	2006	2005
Cash on hand	**1,887**	1,590
Balances at central bank	**10,430**	15,067
Total	**12,317**	16,657

15 Financial assets and liabilities held for trading

	2006	2005
Financial assets held for trading		
Interest-earning securities:		
Dutch government	**976**	2,520
US treasury and US government agencies	**1,115**	7,843
Other OECD governments	**29,529**	37,855
Other interest-earning securities	**28,670**	13,789
Subtotal	**60,290**	62,007
Equity instruments	**40,112**	34,676
Derivative financial instruments	**105,334**	105,372
Total	**205,736**	202,055
Financial liabilities held for trading		
Short positions in financial assets	**45,861**	52,060
Derivative financial instruments	**99,503**	96,528
Total	**145,364**	148,588

Gains and losses on derivative financial instruments and changes in fair value of other trading instruments are recognised in net trading income. Interest income and expense from debt and other fixed-income instruments that are held for trading are recognised in net interest income.

Trading portfolio derivative financial instruments

		2006			2005		
			Fair values			Fair values	
		Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate derivatives							
OTC	Swaps	**5,788,088**	**57,947**	**55,768**	4,846,112	70,644	64,527
	Forwards	**342,962**	**73**	**69**	220,612	80	73
	Options (purchased)	**280,482**	**4,679**	**–**	243,296	6,072	–
	Options (sold)	**334,774**	**–**	**4,685**	266,718	–	6,321
Exchange	Futures	**277,120**	**64**	**41**	209,197	1	2
	Options (purchased)	**19**	**–**	**–**	292	3	–
	Options (sold)	**–**	**–**	**–**	293	–	1
	Subtotal	**7,023,445**	**62,763**	**60,563**	5,786,520	76,800	70,924
Currency derivatives							
OTC	Swaps	**648,243**	**14,694**	**11,582**	518,012	12,356	10,431
	Forwards	**637,773**	**7,460**	**6,723**	507,385	5,004	5,661
	Options (purchased)	**62,697**	**2,183**	**–**	63,835	1,524	–
	Options (sold)	**62,168**	**–**	**2,291**	66,174	–	1,313
Exchange	Futures	**8,462**	**18**	**12**	2,855	5	8
	Options	**2,752**	**15**	**9**	7,243	71	70
	Subtotal	**1,422,095**	**24,370**	**20,617**	1,165,504	18,960	17,483
Other							
OTC	Equity, commodity and other	**1,540,334**	**11,271**	**10,340**	511,791	4,747	4,589
	Equity options (purchased)	**29,467**	**4,579**	**–**	24,116	3,507	–
	Equity options (sold)	**27,630**	**–**	**5,495**	26,987	–	2,472
Exchange	Equity, commodity and other	**12,439**	**338**	**27**	12,389	288	23
	Equity options (purchased)	**20,571**	**2,013**	**–**	14,848	1,070	–
	Equity options (sold)	**22,916**	**–**	**2,461**	15,794	–	1,037
	Subtotal	**1,653,357**	**18,201**	**18,323**	605,925	9,612	8,121
Total		**10,098,897**	**105,334**	**99,503**	7,557,949	105,372	96,528

For an analysis of the market and liquidity risks involved, please refer to note 39.

16 Financial investments

	2006	2005
Interest-earning securities: available-for-sale		
Dutch government	**2,537**	2,781
US treasury and US government	**4,800**	6,618
Other OECD governments	**38,437**	51,760
Mortgage-backed securities	**14,655**	12,100
Other interest-earning securities	**57,129**	39,918
Subtotal	**117,558**	113,177
Interest-earning securities: held-to-maturity		
Dutch government	**1,285**	2,136
US treasury and US government	**14**	22
Other OECD governments	**2,001**	3,660
Mortgage-backed securities	**26**	36
Other interest-earning securities	**403**	718
Subtotal	**3,729**	6,572
Total	**121,287**	119,749
Equity investments		
Available for sale	**1,866**	2,337
Designated at fair value through income	**2,228**	1,688
Subtotal	**4,094**	4,025
Total	**125,381**	123,774

Other interest-earning securities include investments in covered bonds. Income from debt and other fixed-income instruments is recognised using the effective interest method in interest income. Dividend income from other equity instruments is recognised in results from financial transactions.

17 Loans and receivables – banks

This item is comprised of amounts due from or deposited with banking institutions.

	2006	2005
Current accounts	**9,473**	5,479
Time deposits placed	**15,396**	11,613
Professional securities transactions **33**	**105,969**	87,281
Loans to banks	**3,986**	4,279
Subtotal	**134,824**	108,652
Allowances for impairment **19**	**(5)**	(17)
Total	**134,819**	108,635

The movements during the year are mainly due to an increase in professional securities transactions in the UK.

18 Loans and receivables – customers

This item is comprised of amounts receivable, mainly regarding loans and mortgages balances with non-bank customers.

	2006	2005
Public sector	**11,567**	7,461
Commercial	**180,262**	152,411
Consumer	**135,484**	122,708
Professional securities transactions 33	**93,716**	74,724
Multi-seller conduits	**25,872**	25,931
Subtotal	**446,901**	383,235
Allowances for impairment 19	**(3,646)**	(2,987)
Total	**443,255**	380,248

The increase year-on-year reflects the consolidation of Antonveneta, impact EUR 38 billion, and growth in the loan portfolio of BU Asia and BU Latin America.

The amount advanced held by multi-seller conduits is typically collateralised by a pool of customer receivables in excess of the amount advanced, such that credit risk is very low (see note 39). These conduits issue commercial paper as specified in note 26.

The risk management disclosures section on credit risk (see note 39) contains information about the concentration of credit risk by business sector and geographical location, as well as a breakdown of the amounts by type of collateral.

19 Loan impairment charges and allowances

	2006	2005
Balance at 1 January	**3,004**	3,177
Loan impairment charges and other credit risk provisions:		
New impairment allowances	**2,563**	1,409
Reversal of impairment allowances no longer required	**(455)**	(544)
Recoveries of amounts previously written off	**(253)**	(236)
Other credit related charges	**–**	6
Total loan impairment and other credit risk provisions	**1,855**	635
Amount recorded in interest income from unwinding of discounting	**(62)**	(32)
Currency translation differences	**(56)**	208
Amounts written off (net)	**(1,136)**	(1,070)
Disposals of businesses and discontinued operations	**(70)**	13
Reserve for unearned interest accrued on impaired loans	**116**	73
Balance at 31 December	**3,651**	3,004

All loans are assessed for potential impairment either individually and/or on a portfolio basis. The allowance for impairment is apportioned as follows:

	2006	2005
Commercial loans	**2,344**	2,146
Consumer loans	**1,302**	841
Loans to banks	**5**	17
Total	**3,651**	3,004

Loan provisioning-commercial loans

The Group reviews the status of credit facilities issued to commercial clients at least every 6 or 12 months. Additionally, credit officers continually monitor the quality of the credit, the client and the adherence to contractual conditions. Should the quality of a loan or the borrower's financial position deteriorate to the extent that doubts arise over the borrower's ability to meet their contractual obligations, management of the relationship is transferred to the Financial Restructuring and Recovery function.

After making an assessment, Financial Restructuring and Recovery determines the amount, if any, of the specific allowances that should be made, after taking into account the value of collateral. We partly or fully release specific allowances when the debt is repaid or expected future cash flows improve due to positive changes in economic or financial circumstances.

Loan provisioning-consumer loan products

The bank offers a wide range of consumer loan products and programmes such as personal loans, home mortgages, credit cards and home improvement loans. Provisioning for these products is carried out on a portfolio basis, with a specific provision for each product being determined by the portfolio's size and loss experience.

Our consumer loan portfolio policy states that, in general, when interest or principal on a consumer loan is 90 days or more past due, such loans are classified as non-performing and as a result the loans are considered impaired.

Provisions for a given portfolio may be released where there is improvement in the quality of the portfolio. For consumer loans, our write-off rules are time-based and vary by type of product. For example, unsecured facilities, such as credit cards and personal loans, are generally written off at 180 days past due and cash-backed and debt and/or equity-backed facilities are generally written off at 90 days past due.

Allowance for incurred but not identified losses

In addition to impairment allowances calculated on a specific or portfolio basis, the Group also maintains an allowance to cover undetected impairments existing within loans due to delays in obtaining information that would indicate that losses exist at the balance sheet date.

20 Equity accounted investments

	2006	2005
Banking institutions	**1,436**	2,885
Other investments	**91**	108
Total	**1,527**	2,993
Balance at 1 January	**2,993**	1,428
Movements:		
Purchases	**194**	1,554
Sales/reclassifications	**(1,833)**	(265)
Share of results in equity accounted investments	**243**	263
Dividends received from equity accounted investments	**(72)**	(63)
Currency translation differences	**(43)**	31
Other	**45**	45
Balance at 31 December	**1,527**	2,993

In this balance an 8.6% interest in Capitalia is included. ABN AMRO equity accounts for this interest because ABN AMRO is the largest party of a shareholder pact and has representation in the Supervisory Board.

Reclassifications mainly relate to Antonveneta, which became a consolidated operating entity as of 2 January 2006.

Purchases in 2005 include our increased stake in Antonveneta. During 2005 our investment in Kereskedelmi és Hitelbank Rt. was reclassified to available-for-sale assets upon the loss of significant influence, prior to being sold in 2006.

Included in the Group's cash flow hedging and available-for-sale reserve is EUR 53 million (2005: EUR 95 million) of unrealised gains relating to equity accounted investments.

Investments with a book value of EUR 875 million (2005: EUR 2,345 million) that are traded on a recognised stock exchange had a combined market value of EUR 1,601 million (2005: EUR 3,399 million).

Amounts receivable from and payable to equity accounted investments included in the various balance sheet items totalled:

	2006	2005
Loans and receivables – banks	**11**	1,151
Loans and receivables – customers	**212**	495
Due to banks	**61**	138
Due to customers	**258**	246

The principal equity accounted investments of the Group on an aggregated basis (not adjusted for the Group's proportionate interest) have the following balance sheet and income statement totals:

	2006	2005
Total assets	**155,000**	192,927
Total liabilities	**134,741**	180,577
Total operating income	**7,432**	8,887
Profit before tax	**2,355**	1,524

21 Property and equipment

The book value of property and equipment in 2006 and 2005 changed as follows:

	Property			
	Used in operations	Other	Equipment	Total
Balance at 1 January 2006	3,340	2,979	1,791	8,110
Movements:				
Business combinations	1,010	98	215	1,323
Divestment of businesses	(269)	(2,846)	(171)	(3,286)
Additions	450	783	688	1,921
Disposals	(108)	(767)	(148)	(1,023)
Impairment losses	(17)	–	–	(17)
Depreciation	(203)	(4)	(551)	(758)
Currency translation differences	(93)	(7)	(43)	(143)
Other	153	11	(21)	143
Balance at 31 December 2006	4,263	247	1,760	6,270
Representing:				
Cost	5,881	276	4,448	10,605
Cumulative impairment	(44)	(17)	(4)	(65)
Cumulative depreciation	(1,574)	(12)	(2,684)	(4,270)

	Property			
	Used in operations	Other	Equipment	Total
Balance at 1 January 2005	2,994	2,677	1,502	7,173
Movements:				
Business combinations	308	24	508	840
Divestment of businesses	(36)	(182)	(186)	(404)
Additions	379	763	453	1,595
Disposals	(294)	(722)	(45)	(1,061)
Impairment losses	(13)	(11)	(1)	(25)
Depreciation	(145)	–	(538)	(683)
Discontinued operations	(2)	391	2	391
Currency translation differences	149	39	96	284
Balance at 31 December 2005	3,340	2,979	1,791	8,110
Representing:				
Cost	4,802	3,091	3,801	11,694
Cumulative impairment	(48)	(103)	(2)	(153)
Cumulative depreciation	(1,414)	(9)	(2,008)	(3,431)

Divestment of businesses in 2006 mainly relates to development property of Bouwfonds.

As lessee

The Group leases equipment under a number of finance lease agreements. At 31 December 2006 the net carrying amount of leased equipment included in property and equipment was EUR 8 million (2005: EUR 23 million).

As lessor

The Group also leases out various assets, included in 'Other', under operating leases. Non-cancellable operating lease rentals are as follows:

	2006	2005
Less than one year	**56**	27
Between one and five years	**140**	100
More than five years	**49**	30
	245	157

During the year ended 31 December 2006, EUR 59 million (2005: EUR 60 million) was recognised as rental income in the income statement and EUR 48 million (2005: EUR 51 million) in respect of directly related expenses.

22 Goodwill and other intangible assets

	2006	2005
Goodwill	**4,714**	198
Private equity goodwill	**2,436**	2,128
Software	**959**	758
Other intangibles	**1,298**	99
Subtotal	**9,407**	3,183
Mortgage servicing rights	**–**	1,985
Total	**9,407**	5,168

The book value of goodwill and other intangibles, excluding mortgage servicing rights, changed as follows:

	Goodwill	Private equity goodwill	Software	Other intangibles	Total
Balance at 1 January 2006	198	2,128	758	99	3,183
Movements:					
Business combinations	4,399	270	133	1,095	5,897
Divestments of businesses	–	(171)	(1)	(35)	(207)
Other additions	115	297	485	315	1,212
Disposals	–	(87)	(6)	(6)	(99)
Impairment losses	–	(1)	–	–	(1)
Amortisation	–	–	(385)	(170)	(555)
Currency translation differences	2	–	(36)	(1)	(35)
Other	–	–	11	1	12
Balance at 31 December 2006	4,714	2,436	959	1,298	9,407
Representing:					
Cost	4,716	2,580	2,133	1,486	10,915
Cumulative impairment	(2)	(144)	(3)	–	(149)
Cumulative amortisation	–	–	(1,171)	(188)	(1,359)

	Goodwill	Private equity goodwill	Software	Other intangibles	Total
Balance at 1 January 2005	67	877	602	93	1,639
Movements:					
Business combinations	35	1,281	5	51	1,372
Divestments of businesses	(2)	(91)	(14)	(70)	(177)
Other additions	97	80	425	42	644
Disposals	–	–	(9)	–	(9)
Impairments	–	(19)	(1)	–	(20)
Amortisation	–	–	(272)	(16)	(288)
Discontinued operations	–	–	(7)	(2)	(9)
Currency translation differences	1	–	29	1	31
Balance at 31 December 2005	198	2,128	758	99	3,183
Representing:					
Cost	200	2,271	1,572	120	4,163
Cumulative impairment	(2)	(143)	(15)	–	(160)
Cumulative amortisation	–	–	(799)	(21)	(820)

Business combinations

On 2 January 2006 the Group acquired Antonveneta, refer to note 2 for further details. The fair values of the identifiable assets and liabilities of Antonveneta as at 2 January 2006, and the goodwill arising on acquisition are as follows:

	Recognised on acquisition by the group	Carrying value Antonveneta
Intangible assets	1,233	848
Property and equipment	752	751
Financial assets	43,058	41,936
Deferred tax assets	958	736
All other assets	3,366	3,461
Total identifiable assets	49,367	47,732
Deferred tax liabilities	654	147
All other liabilities	45,463	44,487
Total identifiable liabilities	46,117	44,634
Total net assets	3,250	3,098
Purchase price (100%)	7,499	
Net assets	(3,250)	
Fair value adjustment of pre-existing 12.7% investment included in shareholders' equity	150	
Goodwill arising on acquisition of 100% outstanding shares	4,399	

Impairment testing of goodwill

Goodwill has been allocated for impairment testing purposes to individual cash-generating units within the business. The EUR 4,399 million of goodwill allocated to the Antonveneta cash-generating unit is the only significant individual carrying amount. The remaining goodwill is allocated across multiple cash-generating units whose recoverable amounts are assessed independently of one another.

The recoverable amount of Antonveneta has been determined based on a value in use basis, calculated using a discounted dividend model, which applies a dividend payout ratio to the cash flow of the business.

Cash flows for an initial five-year period are based on financial forecasts used in target setting by management, in this case a two-year detailed forecast with subsequent three-year extrapolation. Beyond the initial five-year period a maximum dividend payout ratio, subject to the special features of the banking business and its regulatory environment has been applied to cash flows estimated with reference to the following key assumptions:

- Expected long term return on equity 18.0%
- Expected growth rate 1.5%.

Management has benchmarked these key assumptions against market forecasts and expectations. The dividend model is based on post-tax cash flows. Therefore these cash flows have been discounted using a post-tax discount rate of 8.5%, reflecting the risk-free interest rate with an appropriate market risk premium for the business.

Management believes that it may be reasonably possible that changes in the key assumptions would cause the carrying amount of the Antonveneta cash-generating unit to exceed its recoverable amount. The calculated recoverable amount of Antonveneta currently exceeds its carrying amount by EUR 126 million. The recoverable amount of Antonveneta would be equal to its carrying amount if the actual value of each key assumption, assuming the other assumptions were constant, was as follows:

- Actual growth rate fell to 1.3%
- Actual return on equity fell to 17.7%, or
- Discount rate increased to 8.6%.

Other Intangibles

As a result of the acquisition of Antonveneta, the Group has recognised newly identifiable intangible assets as follows:

Core deposit intangible assets	400
Core overdraft intangible assets	224
Other customer relationship intangible assets	325
Other intangible assets	245
Total	1,194

The amortisation period for all newly identifiable intangible assets is on average approximately 8 years. The Group estimates that the total amortisation expense (pre-tax) related to the newly identifiable intangible assets amounts to EUR 174 million in each of the next two years up to and including 2008, and to EUR 142 million for 2009 and to EUR 135 million for each of the three years thereafter up to and including 2012.

23 Other assets

	2006	2005
Deferred tax assets **30**	**3,479**	2,682
Current tax assets	**1,189**	337
Derivative assets used for hedging **37**	**3,214**	3,213
Mortgages originated-for-sale	**331**	4,311
Unit-linked investments held for policyholder accounts	**5,462**	3,624
Pension assets **28**	**145**	119
Other assets of consolidated private equity holdings, including inventories	**1,733**	1,531
Sundry assets and other receivables	**11,659**	9,733
Total	**27,212**	25,550

Mortgages originated-for-sale and unit-linked investments held for policyholders are designated at fair value with changes through income. Mortgages originated-for-sale are originated by our mortgage banking business in North America. In the prior year, the volume of originated-for-sale loans was significantly higher due to the inclusion of those loans originated by ABN AMRO Mortgage Group, Inc., which is now classified as held for sale.

Sundry assets include insurance related deposits and other short-term receivables.

24 Due to banks

This item is comprised of amounts due to banking institutions, including central banks and multilateral development banks.

	2006	2005
Professional securities transactions **33**	**87,762**	71,231
Current accounts	**20,273**	23,573
Time deposits	**70,127**	63,836
Advances from Federal Home Loan banks	**7,293**	7,239
Other	**2,534**	1,942
Total	**187,989**	167,821

25 Due to customers

This item comprises amounts due to non-banking customers.

	2006	2005
Consumer current accounts	**35,358**	21,502
Commercial current accounts	**75,689**	67,133
Consumer savings accounts	**89,893**	84,166
Commercial deposit accounts	**96,577**	87,099
Professional securities transactions **33**	**57,828**	48,982
Other	**7,038**	8,201
Total	**362,383**	317,083

26 Issued debt securities

	2006		2005	
	Effective rate %		Effective rate %	
Bonds and notes issued	**4.1**	**117,122**	3.2	90,050
Certificates of deposit and commercial paper	**4.8**	**56,375**	2.9	51,873
Cash notes, savings certificates and bank certificates	**5.6**	**2,269**	4.2	2,657
Subtotal		**175,766**		144,580
Commercial paper issued by multi-seller conduits	**5.0**	**26,280**	3.4	26,039
Total		**202,046**		170,619

Bonds are issued in the capital markets with a focus on the euro market and are denominated mostly in euro and US dollars. The commercial paper programmes are issued globally with the majority issued in the United States and Europe. The other debt securities are instruments used in markets in which ABN AMRO is active and are usually denominated in local currencies. Of the total amount, EUR 75.3 billion (2005: EUR 60.6 billion) are variable interest bearing securities. EUR 20.1 billion (2005: EUR 16.5 billion) of issued debt of a fixed rate nature has been designated in fair value hedge relationships.

Issued debt securities in (currency):

	2006	2005
EUR	**95,452**	77,660
USD	**84,308**	75,243
Other	**22,286**	17,716
Total	**202,046**	170,619

Included in the balance above are various structured liabilities that have been designated at fair value through income due to the inclusion of embedded derivative features. These liabilities had a fair value at 31 December 2006 of EUR 2,540 million (2005: EUR 2,815 million) and an amortised cost value of EUR 2,661 million (2005: EUR 2,882 million).

Maturity analysis

	2006	2005
Within one year	**103,531**	102,368
After one and within two years	**18,231**	11,770
After two and within three years	**19,380**	7,175
After three and within four years	**13,402**	7,521
After four and within five years	**7,903**	8,082
After five years	**39,599**	33,703
Total	**202,046**	170,619

27 Provisions

	2006	2005
Provision for pension commitments **28**	**649**	942
Provision for contributions to post-retirement healthcare **28**	**111**	101
Other staff provision	**672**	459
Insurance fund liabilities	**4,080**	3,169
Restructuring provision	**415**	501
Other provisions	**1,923**	1,239
Total	**7,850**	6,411

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

	Other staff provisions	Restructuring	Other provisions
Balance at 1 January 2006	459	501	1,239
Movements:			
Additions from income statement	74	126	430
Expenses charged to provisions	(203)	(178)	(512)
Acquisitions/disposals	89	(40)	416
Currency translation differences	(15)	(8)	(26)
Other	268	14	376
Balance at 31 December 2006	672	415	1,923

	Other staff provisions	Restructuring	Other provisions
Balance at 1 January 2005	448	752	880
Movements:			
Additions from income statement	316	33	513
Expenses charged to provisions	(320)	(298)	(289)
Acquisitions/disposals	–	–	28
Currency translation differences	15	14	107
Balance at 31 December 2005	459	501	1,239

Insurance fund liabilities movements are as follows:

	2006	2005
Balance at 1 January	**3,169**	3,111
Premium carried from income statement	**370**	294
Claims paid	**(210)**	(14)
Interest	**21**	34
Acquisitions/disposals	**825**	(637)
Changes in estimates and other movements	**(78)**	97
Currency translation differences	**(17)**	284
Balance at 31 December	**4,080**	3,169

28 Pension and other post-retirement employee benefits

Pension costs and contributions for post-retirement healthcare borne by the Group are included in personnel expenses and are shown in the following table:

	Pension		Healthcare	
	2006	2005	**2006**	2005
Service cost	**374**	320	**5**	24
Interest cost	**529**	510	**10**	39
Expected return on plan assets	**(632)**	(585)	**(5)**	(5)
Net amortisation of net actuarial (gain) / loss	**27**	1	**(1)**	9
Net amortisation of prior-service cost	**(72)**	1	**–**	–
(Gain) / loss on curtailment or settlements	**1**	(11)	**–**	(453)
Defined benefit plans	**227**	236	**9**	(386)
Defined contribution plans	**168**	161	**–**	–
Total costs	**395**	397	**9**	(386)

Liability for defined benefit obligations

The Group makes contributions to 44 (2005: 58) defined benefit plans that provide pension benefits for employees upon retirement. The amounts recognised in the balance sheet are as follows:

	Pension		Healthcare	
	2006	2005	**2006**	2005
Present value of funded obligations	**12,167**	12,316	**81**	88
Present value of unfunded obligations	**134**	87	**58**	51
Less: Fair value of plan assets	**11,149**	10,212	**60**	63
Present value of net obligations	**1,152**	2,191	**79**	76
Unrecognised prior year service cost	**(7)**	(10)	**–**	–
Unrecognised actuarial (losses) / gains	**(683)**	(1,400)	**32**	25
Unrecognised assets	**42**	42	**–**	–
Net recognised liability for defined benefit obligations	**504**	823	**111**	101

Included in the net recognised liability for pension is a pension asset of EUR 145 million (2005: EUR 119 million).

Movements in the net liability / asset recognised in the balance sheet are as follows:

	Pension		Healthcare	
	2006	2005	**2006**	2005
Net liability at 1 January	**823**	1,144	**101**	524
Acquisition/disposals	**30**	(1)	**–**	–
Contributions paid	**(582)**	(572)	**(6)**	(56)
Expense recognised in the income statement	**227**	236	**9**	(386)
Currency translation differences	**6**	16	**7**	19
Net liability at 31 December	**504**	823	**111**	101

Explanation of the assets and liabilities

The following tables summarise the changes in benefit obligations and plan assets of the main pension plans and other employee benefit plans.

Movements in projected benefit obligations:

	Pension		Healthcare	
	2006	2005	**2006**	2005
Balance at 1 January	**12,403**	10,715	**139**	760
Service cost	**374**	320	**5**	24
Interest cost	**529**	510	**10**	39
Employee contributions/refunds	**5**	15	**–**	–
Actuarial (gain)/loss	**(518)**	925	**(3)**	45
Benefits paid	**(333)**	(312)	**(9)**	(50)
Acquisitions/disposals	**30**	(1)	**–**	–
Plan amendments	**(87)**	2	**–**	–
Settlement/curtailment	**(2)**	(25)	**–**	(707)
Currency translation differences	**(100)**	212	**(10)**	28
Other	**–**	42	**7**	–
Balance at 31 December	**12,301**	12,403	**139**	139

Movements in fair value of plan assets:

	Pension		Healthcare	
	2006	2005	**2006**	2005
Balance at 1 January	**10,212**	8,754	**63**	46
Actual return on plan assets	**782**	984	**7**	2
Employee contributions/refunds	**5**	15	**–**	–
Employer's contribution	**571**	572	**–**	9
Benefits paid	**(322)**	(298)	**(3)**	(3)
Currency translation differences	**(100)**	195	**(7)**	9
Recognised settlement/curtailment	**–**	(10)	**–**	–
Other	**1**	–	**–**	–
Balance at 31 December	**11,149**	10,212	**60**	63

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

	2006	2005
Pensions		
Discount rate	**4.6%**	4.3%
Expected increment in salaries	**2.8%**	2.4%
Expected return on investments	**6.0%**	6.2%
Healthcare		
Discount rate	**8.2%**	7.8%
Average rise in the costs of healthcare	**9.0%**	9.5%

The expected return on investments regarding pension obligations is weighted on the basis of the fair value of these investments. The average rise in cost of healthcare is weighted on the basis of the healthcare cost of 2006. All other assumptions are weighted on the basis of the defined benefit plan obligations.

For the pension plans, the target and actual allocation of the plan assets are as follows:

Allocation of plan assets

	Target allocation 2006	Actual allocation 2006	Actual allocation 2005
Plan asset category			
Equity securities	53.2%	53.2%	52.8%
Issued debt securities	46.1%	45.6%	45.3%
Real estate	0.3%	0.2%	0.1%
Other	0.4%	1.0%	1.8%
Total	100.0%	100.0%	100.0%

Plan assets for 2006 and 2005 do not include investments in ordinary shares, debt issued or property occupied by the Group.

Forecast of pension benefits payments

2007	338
2008	357
2009	386
2010	417
2011	447
Years after 2011	2,663

The Group's expected contribution to be paid to defined pension schemes in 2007 is EUR 407 million (2006: EUR 598 million).

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

	Increase	Decrease
2006		
Effect on the aggregate current service cost and interest cost	**2**	(1)
Effect on the defined benefit obligation	**9**	(7)
2005		
Effect on the aggregate current service cost and interest cost	**1**	(1)
Effect on the defined benefit obligation	**11**	(9)

Amounts for current and previous periods, under which the Group reported under IFRS, are as follows:

	2006	2005	2004
Pension			
Defined benefit obligation	**(12,301)**	(12,403)	(10,715)
Plan assets	**11,149**	10,212	8,754
(Deficit) / surplus	**(1,152)**	(2,191)	(1,961)
Experience adjustments on plan liabilities	**518**	(925)	(962)
Experience adjustments on plan assets	**150**	399	63
Healthcare			
Defined benefit obligation	**(139)**	(139)	(760)
Plan assets	**60**	63	46
(Deficit) / surplus	**(79)**	(76)	(714)
Experience adjustments on plan liabilities	**3**	(45)	(192)
Experience adjustments on plan assets	**2**	(3)	2

29 Other liabilities

	2006	2005
Deferred tax liabilities **30**	**2,463**	2,471
Current tax liabilities	**2,026**	1,032
Derivative liabilities used for hedging **37**	**3,965**	4,712
Liability to unit-linked policyholders	**5,462**	3,624
Other liabilities of consolidated private equity holdings	**1,053**	768
Sundry liabilities and other payables	**7,008**	6,116
Total	**21,977**	18,723

30 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Recognised in income	
	2006	2005	2006	2005	2006	2005
Property and equipment	**9**	44	**160**	155	**(151)**	(111)
Intangible assets including goodwill	**613**	341	**457**	–	**156**	341
Derivatives	**68**	52	**128**	330	**(60)**	(278)
Investment securities	**170**	127	**170**	146	**-**	(19)
Employee benefits	**288**	471	**-**	12	**288**	459
Servicing rights	**1**	–	**521**	613	**(520)**	(613)
Allowances for loan losses	**978**	650	**-**	42	**978**	608
Leasing	**–**	–	**399**	469	**(399)**	(469)
Tax credits	**13**	77	**-**	–	**13**	77
Other	**389**	309	**61**	193	**328**	116
Tax value of carry-forward losses recognised	**950**	611	**567**	511	**383**	100
Total	**3,479**	2,682	**2,463**	2,471	**1,016**	211

Unrecognised deferred tax assets

Deferred tax assets that have not been recognised in respect of carry-forward losses amount to EUR 898 million (2005: EUR 252 million). Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available where the Group can utilise the benefits from them.

Expiration of carry-forward losses

At 31 December 2006 carry-forward losses expire as follows:

2007	19
2008	116
2009	27
2010	50
2011	69
Years after 2011	2,455
Total	2,736

Tax exposure to distributable reserves

ABN AMRO considers approximately EUR 1.4 billion (2005: EUR 2.1 billion) in distributable invested equity of foreign operations to be permanently invested. If retained earnings were to be distributed, no foreign income taxes would have to be paid. The estimated impact of foreign withholding tax is EUR 6 million (2005: EUR 9 million).

31 Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of, respectively, ABN AMRO Holding N.V, ABN AMRO Bank N.V. and other Group companies. These liabilities qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for the Dutch central bank.

The maturity profile of subordinated liabilities is as follows:

	2006	2005
Within one year	**1,384**	1,156
After one and within two years	**726**	1,452
After two and within three years	**2,165**	704
After three and within four years	**811**	1,550
After four and within five years	**21**	1,395
After five years	**14,106**	12,815
Total	**19,213**	19,072

The average interest rate on subordinated liabilities was 5.2% (2005: 5.4%). Subordinated liabilities as at 31 December 2006 denominated in euros amounted to EUR 10,259 million (2005: EUR 9,240 million) and in US dollars an amount of EUR 7,332 million (2005: EUR 9,745 million). EUR 8,522 million (2005: EUR 5,703 million) is of a variable interest rate nature.

The following table analyses the subordinated liabilities by issuer:

	2006	2005
ABN AMRO Holding N.V. preference financing shares	**768**	768
ABN AMRO Bank N.V.	**13,101**	13,051
Other Group companies	**5,344**	5,253
Total	**19,213**	19,072

Total subordinated liabilities include EUR 6,122 million (2005: EUR 5,261 million) which qualify as tier 1 capital for capital adequacy purposes.

Preference financing shares

At 31 December 2006, 2005 and 2004, there were 1,369,815,864 (EUR 767,096,884) preference financing shares convertible into ordinary shares ('preference shares') in issue. Each share has a nominal value of EUR 0.56. The holders of these shares 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 the preference shares will be adjusted in line with the arithmetical average of the ten-year euro-denominated interest rate swap as published by Reuters on the dividend calculation dates thereof, plus an increment to be set by the Managing Board with the approval of the Supervisory Board, of no less than 25 basis points and no more than one hundred basis points, depending on the market situation at that time.

(Formerly convertible) preference shares

Only 44,988 (EUR 100.8 million par value) preference shares that were formerly convertible into ordinary shares ('convertible shares') remain outstanding. The holders of these shares will receive a dividend of EUR 0.95 per share, representing 3.32% of the amount paid on each share as of 1 January 2004. As of 1 January 2014, and every ten years thereafter, the dividend on the convertible preference shares will be adjusted in the manner described in the Articles of Association.

32 Share capital

The table below provides a breakdown of our issued share capital, issued and fully paid ordinary shares, treasury shares, preference financing shares and (formerly convertible) preference shares.

		Nominal value	Millions of euros
Issued share capital			
Authorised			
4,000,000,400	ordinary shares	of EUR 0.56	2,240
4,000,000,000	convertible financing preference shares	of EUR 0.56	2,240
100,000,000	convertible preference shares	of EUR 2.24	224

	Number	Millions of euros
Ordinary shares		
Issued and fully paid		
At 1 January 2006	1,909,738,427	1,069
Exercised options and warrants	27,109,089	16
Balance at 31 December 2006	1,936,847,516	1,085
At 1 January 2005	1,702,888,861	954
New issue	145,278,482	82
Dividends paid in shares	61,571,084	33
Balance at 31 December 2005	1,909,738,427	1,069
At 1 January 2004	1,643,220,517	919
Exercised options and warrants	3,159,695	2
Dividends paid in shares	56,508,649	33
Balance at 31 December 2004	1,702,888,861	954

There are no issued ordinary shares that have not been fully paid.

	Number	Millions of euros
Treasury shares		
At 1 January 2006	31,818,402	600
Used for options exercised and performance share plans	(8,454,965)	(143)
Share buy back	95,899,360	2,204
Dividends paid in shares	(36,202,072)	(832)
Balance at 31 December 2006	83,060,725	1,829
At 1 January 2005	33,686,644	632
Used for options exercised	(1,868,242)	(32)
Balance at 31 December 2005	31,818,402	600
At 1 January 2004	5,337,689	119
Share buy back	28,348,955	513
Balance at 31 December 2004	33,686,644	632

33 Professional securities transactions

Professional security transactions include balances relating to reverse repurchase activities, cash collateral on securities borrowed and security settlement accounts. The Group minimises credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

	2006		2005	
	Banks	Customers	Banks	Customers
Assets				
Cash advanced under securities borrowing	**1,268**	**47,422**	662	29,811
Reverse repurchase agreements	**101,593**	**35,365**	83,260	29,548
Unsettled securities transactions	**3,108**	**10,929**	3,359	15,365
Total	**105,969**	**93,716**	87,281	74,724
Liabilities				
Cash received under securities lending	**1,289**	**7,203**	1,715	7,616
Repurchase agreements	**83,687**	**42,848**	65,891	26,982
Unsettled securities transactions	**2,786**	**7,777**	3,625	14,384
Total	**87,762**	**57,828**	71,231	48,982

Under reverse repurchase, securities borrowing, and other collateralised arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others.

	2006	2005
Securities received under reverse repurchase and/or securities borrowing arrangements which can be repledged or resold	**40,149**	66,676
Of the above amount, the amount that has either been repledged or otherwise transferred to others in connection with the Group's financing activities or to satisfy its commitments under short sale transactions	**35,700**	27,329

34 Securitisations and assets pledged as security

Details of the carrying amounts of assets pledged as collateral are as follows:

	2006	2005
Cash and balances at central banks	**10,430**	10,737
Financial investments	**2,780**	12,074
Loans and receivables – customers	**7,302**	32,656
Total	**20,512**	55,467

These assets have been pledged in respect of the following liabilities and contingent liabilities:

	2006	2005
Due to banks	**9,355**	17,782
Due to customers	**741**	4,266
Issued debt securities	**3**	21,440
Total	**10,099**	43,488

The decrease in assets pledged as collateral and liabilities for which they have been pledged, is mainly the result of Bouwfonds non-mortgage business.

Securitisation

As part of the Group's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred to third parties. Substantially all financial assets included in these transactions are mortgage or other loan portfolios. The extent of the Group's continuing involvement in these financial assets varies by transaction.

The Group participates in sales transactions where cash flows relating to various financial assets are transferred to a consolidated special purpose entity (SPE). When in these transactions neither substantially all risks and rewards nor control over the financial assets has been transferred, the entire asset continues to be recognised in the consolidated balance sheet. In the case of sales transactions involving a consolidated SPE, the retained risks and rewards are usually interest related spread and/or an exposure on first credit losses. The carrying amounts of the assets and associated liabilities approximated EUR 5,554 million, EUR 6,290 million and EUR 7,786 million at 31 December 2006, 2005 and 2004, respectively.

Synthetic transactions

In addition the Group has synthetic securitisations for an amount of EUR 83,588 million (2005: EUR 59,255 million). Through a synthetic securitisation the Group is able to buy protection without actual transference of any assets to an SPE. In general, the Group as the owner of the assets, buys protection to transfer the credit risk of a portfolio of assets to another entity that sells the protection. Although the credit risk of the portfolio is transferred, actual ownership of the portfolio of assets remains with the Group.

Continuing involvement

Additionally the Group participates in various mortgage related transactions in the Netherlands that have been conducted without the involvement of an SPE. In these transactions, the derecognition criteria are not fully met and the entire asset continues to be recognised in the consolidated balance sheet. The Group also retains exposure to certain interest rate risks. The carrying amounts of these mortgage assets and associated liabilities approximate EUR 272 million, EUR 772 million and EUR 850 million at 31 December 2006, 2005 and 2004, respectively.

The Group has not participated in any transaction where partial derecognition of specified portions of an entire financial asset have occurred.

Credit default swaps

In addition to the transactions mentioned above, the Group also uses credit default swaps to reduce credit risk for parts of the loan portfolio by selling these risks directly to the capital markets. At 31 December 2006 the Group has bought credit protection for an amount of EUR 56,801 million (2005: EUR 30,352 million).

Derecognition

Though the Group has sold a part of its loan portfolio in North America, it still holds legal title to some of these loans. In most cases these loans are also serviced by the Group. The Group also services loans originated by other institutions. The following table states the total outstandings at 31 December 2006.

Transaction type

	2006	2005
Legal title to loans sold	**86**	136
Loans serviced for third parties	**159,377**	160,654

35 Commitments and contingent liabilities

Credit facilities

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans, overdraft facilities and credit card limits. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months.

Guarantees

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any particular period. The Group also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Aside from the items stated above, non-quantified guarantees have been given for the ABN AMRO's securities custody operations, for inter-bank bodies and institutions and for participating interests. Collective guarantee schemes are applicable to Group companies in various countries. Furthermore, statements of liability have been issued for a number of Group companies.

Our commitments at 31 December are summarised below.

(in millions of EUR)		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
2006					
Committed facilities	145,418	93,365	19,129	21,458	11,466
Commitments with respect to:					
Guarantees granted	46,026	27,506	8,432	3,448	6,640
Irrevocable letters of credit	5,241	4,823	301	78	39
Recourse risks arising from discounted bills	12	12	–	–	–
2005					
Committed facilities	141,010	82,165	17,801	24,269	16,775
Commitments with respect to:					
Guarantees granted	41,536	22,699	6,361	3,656	8,820
Irrevocable letters of credit	4,467	4,097	135	214	21
Recourse risks arising from discounted bills	18	18	–	–	–

Leases as lessee

Operating lease rentals are payable as follows:

	2006	2005
Less than one year	**367**	255
Between one and five years.	**693**	614
More than five years	**632**	912
	1,692	1,781

During 2006, EUR 403 million (2005: EUR 303 million) of operating lease expense and EUR 30 million (2005: EUR 48 million) of sub-lease income was recognised in income statement.

Contractual and contingent obligations

(in millions of EUR)		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
2006					
Issued debt securities [1]	202,046	103,531	37,611	21,305	39,599
Subordinated liabilities [1]	19,213	1,384	2,891	832	14,106
Purchase obligations	254	254	–	–	–
Other obligations	695,736	647,484	15,239	8,051	24,962
2005					
Issued debt securities [1]	170,619	102,368	17,300	17,248	33,703
Subordinated liabilities [1]	19,072	1,156	2,156	2,944	12,816
Purchase obligations	243	243	–	–	–
Other obligations	633,492	583,119	15,820	7,010	27,543

1 *Contractual obligations for finance lease agreements totaled EUR 5 million as of 31 December 2006 (2005: EUR 15 million), with EUR 1 million payable after one year (2005: EUR 5 million).*

At 31 December 2006, other obligations consisted of deposits and other client accounts (EUR 272,490 million, 2005: EUR 232,917), banks (EUR 187,989 million, 2005: EUR 167,821 million), savings accounts (EUR 89,893 million, 2005: EUR 84,166 million) and financial liabilities held for trading (EUR 145,364 million, 2005: EUR 148,588 million). For further information see note 39 to our consolidated financial statements. For an analysis of the maturities of our liabilities at 31 December, see note 39 (liquidity gap).

Other contingencies

Legal proceedings have been initiated against the Group in a number of jurisdictions, but on the basis of information currently available, and having taken legal counsel with legal advisors, the Group is of the opinion that the outcome of these proceedings net of any related insurance claims is unlikely to have a material adverse effect on the consolidated financial position and the consolidated profit of the Group.

36 Cash flow statement

The following table analyses the determination of cash and cash equivalents:

	2006	2005	2004
Cash and balances at central banks	**12,317**	16,657	17,896
Loans and receivables – banks	**9,464**	5,455	3,954
Due to banks	**(16,909)**	(16,069)	(13,247)
Cash and cash equivalents	**4,872**	6,043	8,603

The following table analyses movements resulting from acquisitions and disposals:

	2006	2005	2004
Cash and cash equivalents in acquired / disposed of subsidiaries	**(6,827)**	309	(157)
Net amounts paid/received in cash and cash equivalents on acquisitions/disposals of subsidiaries	**(209)**	57	(16)
	(7,036)	366	(173)
Net movement in assets and liabilities:			
Financial assets held for trading	**378**	(131)	–
Financial investments	**1**	(112)	–
Loans and receivables – banks	**491**	(866)	–
Loans and receivables – customers	**16,672**	186	(4)
Property and equipment	**(2,174)**	396	108
Other assets	**6,523**	1,109	366
Total assets	**21,981**	582	470
Due to banks	**(6,632)**	1,514	281
Due to customers	**9,659**	(812)	108
Issued debt securities	**8,655**	–	21
Accruals and deferred income	**(621)**	57	56
Subordinated liabilities	**1,842**	45	56
Other liabilities	**9,555**	(192)	(96)
Total liabilities	**22,458**	612	426
Cash flows from operating activities include:			
Interest received	**36,036**	29,388	25,154
Interest paid	**26,311**	21,456	16,659
Dividends received	**164**	158	170
Income taxes paid	**1,286**	1,056	511

The following table analyses movements in operating assets and liabilities:

	2006	2005	2004
Movement in operating assets:			
Financial assets held for trading	**(2,567)**	(28,235)	(47,100)
Loans and receivables	**(77,182)**	(60,516)	(73,145)
Net increase / (decrease) in accrued income and prepaid expenses	**(2,231)**	(1,586)	(121)
Net increase / (decrease) in other assets	**4,588**	(15,031)	1,023
Total movement in operating assets	**(77,392)**	(105,368)	(119,343)
Movement in operating liabilities:			
Financial liabilities held for trading	**(4,907)**	15,001	35,465
Due to banks	**19,930**	21,630	38,734
Due to customers	**44,365**	18,056	82
Issued debt securities maturing within 1 year	**13,048**	20,760	21,436
Provisions	**(75)**	(567)	380
Net increase / (decrease) in accrued expenses and deferred income	**3,129**	(126)	202
Net increase / (decrease) in other liabilities	**(10,509)**	5,707	2,423
Total movement in operating liabilities	**64,981**	80,461	98,722

37 Hedge accounting

The Group enters into various derivative instrument transactions to hedge risks on assets, liabilities, net investments and forecasted cash flows. The accounting treatment of the hedged item and the hedging derivative is dependent on whether the hedge relationship qualifies for hedge accounting. Qualifying hedges may be designated as either fair value or cash flow hedges.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly through income.

Derivatives designated and accounted for as hedging instruments

Fair value hedges

The Group's fair value hedges principally consist of interest rate swaps, interest rate options and cross currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate assets, notably available-for-sale securities, and liabilities due to changes in market interest rates.

For qualifying fair values hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Cash flow hedges

For qualifying cash flow hedges, the effective portion of the change in the fair value of the hedge instrument is recorded in the cash flow hedge reserve and recognised in the income when the hedged item occurs. The ineffective portions of designated cash flow hedges are recorded in income immediately. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in the hedge reserve is recognised when the cash flows that were hedged occur, consistent with the original hedge strategy. Gains and losses on derivatives reclassified from the cash flow hedge reserve to income are included in net interest income. The Group's main cash flow hedge programmes are operated by Group Asset and Liability Management and BU North America.

Cash flow hedge accounting for Group Asset and Liability Management

Cash flow hedge accounting operated by Group Asset and Liability Management relates to portfolio cash flow hedge accounting for the hedging activities of the Group's non-trading financial assets and liabilities.

The Group Asset and Liability Committee is the governing body for the risk management of the Group's banking portfolio and determines the interest rate risk level, sets risk measurement and modelling including applicable assumptions, sets limits, and is responsible for the asset and liability management policy.

ABN AMRO manages its exposure to interest rate risk per currency in the non-trading portfolios on a Group wide basis. In order to manage the sensitivity of the interest income per currency, the Group projects future interest income under different growth and interest rate scenarios. Systems are available to accumulate the relevant critical information throughout the Group about the existing financial assets, financial liabilities and forward commitments, including loan commitments. For the major currencies these positions are placed into a projected balance sheet available for asset liability management activities. The primary interest sensitive positions in the balance sheet stemming from the non-trading book are: loans and receivables, liabilities due to banks and customers, and issued debt securities.

The information gathered in the Group Asset and Liability Management's systems relates to the contractual terms and conditions, such as nominal amounts, currency, duration, interest basis, effective interest rate and interest re-pricing date. In addition other information such as estimates of prepayments, growth rate and interest scenarios is used in the interest sensitivity models of Group Asset and Liability Management. These assumptions are determined following agreed upon principles based amongst others on statistical market and client data and an economic outlook. Projected assets and liabilities are superimposed on the run-off of the currently existing positions. This information is used to create projected balance sheets that form the basis for measuring interest rate sensitivity. The new assets and liabilities and the future re-pricing of existing assets and liabilities are mapped to specific interest rate indices at the yield curve (i.e. one month, two months, three months, six months, one year, etc). In this way a new asset or liability that is for example based on a three months rate, is mapped to a specific three month rate index. For each projected month into the future, the assets and liabilities are grouped per interest rate-index and currency. The balance sheet projection that is embedded in the Group's interest rate risk management, not only allows the Group to estimate future interest income and perform scenario analysis, but also provides the opportunity to define the projected transactions that are eligible as hedged items in a cash flow hedge. The hedged positions are the monthly asset and liability clusters per currency and per interest rate index. These clusters are homogeneous in respect of the interest rate risk that is being hedged, because they are designed to:
(a) Share the interest rate risk exposure that is being hedged, and
(b) Be sensitive to interest rate changes proportional to the overall sensitivity to interest rate changes in the cluster.

ABN AMRO uses derivatives, mainly interest rate swaps, to offset identified exposures to interest rate risk in the projected balance sheet. For asset liability management purposes, assets and liabilities in a similar interest rate index cluster in a particular month are first considered as a natural off-set for economic hedging. A swap transaction may be entered into to risk manage the remaining interest income sensitivity. The notional amount of a pay- or receive-floating swap is designated to hedge the re-pricing cash flow exposure of a designated portion of current and forecasted assets and current and forecasted liabilities, respectively in the clusters described above. The swap transaction is designated for hedge accounting purposes as a hedge of a gross position of being a cluster of projected assets or a cluster of projected liabilities. As a result, the swap will only hedge an identified portion of a cluster of projected assets or projected liabilities. Also the swap will only hedge the applicable floating swap rate portion of the interest re-pricing and re-investment risk of the cluster.

The longer the term of the hedge, the larger the excess of available cash flows from projected assets or liabilities in the clusters has to be, given that the cash flow projections further in the future are inherently less certain. The availability of an excess of cash flows in the clusters and the increase of excess over time is evaluated on a monthly basis.

Furthermore back testing is performed on the sensitivity model for interest risk management purposes. This back testing also supports cash flow hedge accounting. The back testing relates to the interest sensitivity models applied and the assumptions used in the information gathering process for the balance sheet projection. Historical data are used to review the assumptions applied.

Cash flow hedge accounting in North America

Cash flow hedge accounting is utilised in the North American operations to mitigate the variability of cash flows of certain interest-earning assets or certain interest-bearing liabilities caused by interest rate changes. Utilising interest rate swaps, the Group lengthens the duration (thus mitigating the interest rate variability) of forecasted cash flows attributable both to certain floating rate commercial loans and to the re-pricing of fixed rate, short term, wholesale liabilities. In all cases, the individual hedged forecasted cash flows are grouped with other items that share the same interest rate risk exposure, by reference to the rate index and frequency of re-pricing. In addition, the hedged forecasted cash flow may not be based on commercial loans with contractual terms that include an embedded interest rate cap or floor nor on floating rate loans considered ‘at risk’ for potential default during the hedge period (typically hedging designations are reviewed and adjusted, as required, monthly) as identified by the Group’s internal credit rating system.

Hedges of net investments in foreign operations

As explained in note 39, the Group limits its exposure to investments in foreign operations by hedging its net investment in its foreign operations with forward foreign exchange contracts in the currency of the foreign operations or a closely correlated currency to mitigate foreign exchange risk.

For qualifying net investment hedges, changes in the fair value of the derivative are recorded in the currency translation account differences reserve within equity.

Overview of the fair value of hedging derivatives

	2006		2005	
	Positive	Negative	Positive	Negative
Qualifying for hedge accounting				
Fair value hedges				
Interest				
Swaps	**2,315**	**2,280**	2,228	2,198
Options and futures	**30**	**235**	–	940
Foreign currency				
Swaps	**339**	**399**	464	289
Forwards	**132**	**380**	2	2
Cash flow hedges				
Interest				
Swaps	**369**	**584**	452	1,283
Foreign currency				
Swaps	**3**	**7**	63	–
Forwards	**26**	**80**	4	–
Total	**3,214**	**3,965**	3,213	4,712

Notional amounts

	2006	2005
Interest rate risk	**234,643**	224,871
Foreign currency risk	**21,797**	142,222

38 Fair value information

Determination of fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market prices or market rates are used to determine fair value where an active market exists (such as a recognised stock exchange), as it is the best evidence of the fair value of a financial instrument.

Market prices are not, however, available for all financial assets and liabilities held and issued by the Group. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques using inputs based on market conditions existing at the balance sheet dates.

Valuation techniques are generally applied to OTC derivatives, unlisted trading portfolio assets and liabilities, and unlisted financial investments (including private equity investments). The most frequently applied pricing models and valuation techniques include forward pricing and swap models using present value calculations, option models such as the Black and Scholes model, and credit models such as default rate models or credit spread models.

The values derived from applying these techniques can be significantly affected by the choice of valuation model used and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility, and credit risk.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments carried at fair value:

(i) Assets and liabilities held for trading are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or other recognised valuation techniques.

(ii) Financial investments classified as available for sale (interest-earning securities and equities) are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

(iii) In general private equity investments fair values cannot be obtained directly from quoted market prices, or by using valuation techniques supported by observable market prices or rates. The fair value is estimated indirectly using valuation techniques or models for which the inputs are reasonable assumptions, based on market conditions. Valuation techniques applied are in accordance with EVCA (European Private Equity and Venture Capitalist Association) guidelines.

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value:

	Valuation techniques 2006			
	Quoted market price	Market observable	Non-market observable	Total
Financial assets				
Financial assets held for trading	100,032	104,233	1,471	205,736
Available-for-sale interest earning securities	100,450	7,912	9,196	117,558
Available-for-sale equities	1,313	340	213	1,866
Equities designated at fair value through income	534	951	743	2,228
Other assets – derivatives held for hedging	476	2,738	–	3,214
Other assets – unit-linked investments	5,252	210	–	5,462
Other assets – mortgages originated-for-sale	–	331	–	331
Total assets at fair value	208,057	116,715	11,623	336,395
Financial liabilities				
Financial liabilities held for trading	46,990	92,029	6,345	145,364
Issued debt	–	2,540	–	2,540
Other liabilities – unit-linked liability	5,252	210	–	5,462
Other liabilities – derivatives held for hedging	880	3,083	2	3,965
Total liabilities at fair value	53,122	97,862	6,347	157,331

	Valuation techniques 2005			
	Quoted market price	Market observable	Non-market observable	Total
Financial assets				
Financial assets held for trading	97,026	103,683	1,346	202,055
Available-for-sale interest earning securities	113,177	–	–	113,177
Available-for-sale equities	1,016	391	930	2,337
Equities designated at fair value through income	445	–	1,243	1,688
Other assets – derivatives held for hedging	–	3,213	–	3,213
Other assets – unit-linked investments	3,624	–	–	3,624
Other assets – mortgages originated-for-sale	–	4,311	–	4,311
Total assets at fair value	215,288	111,598	3,519	330,405
Financial liabilities				
Financial liabilities held for trading	52,410	95,570	608	148,588
Issued debt	–	2,815	–	2,815
Other liabilities – unit-linked liability	3,624	–	–	3,624
Other liabilities – derivatives held for hedging	–	4,712	–	4,712
Total liabilities at fair value	56,034	103,097	608	159,739

Sensitivity of fair values

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by observable market prices or rates. The models used in these situations undergo an internal validation process before they are certified for use. Any related model valuation uncertainty is quantified, and deducted from the fair values produced by the models. Management believes the resulting estimated fair values recorded in the balance sheet and the changes in fair values recorded in the income statement are reasonable, and are the most appropriate values at the balance sheet date.

The potential effect of using reasonably possible alternative assumptions as inputs to valuation models, relying on non market-observable inputs, has been estimated as a reduction of approximately EUR 157 million (2005: EUR 150 million) using less favourable assumptions, and an increase of approximately EUR 157 million (2005: EUR 175 million) using more favourable assumptions.

The total amount of the change in fair value estimated using a valuation technique that was recognised in the profit and loss account for the year 2006 amounts to EUR 1,516 million (2005: EUR 1,354 million).

Assets and liabilities elected at fair value

The Group has elected to fair value non-controlling private equity investments, mortgages originated-for-sale and certain structured notes. The changes in fair value recognised in income on these assets and liabilities was a loss of EUR 141 million (2005: gain of EUR 401 million).

Financial assets and liabilities not carried at fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments carried at cost:

(i) The fair value of assets maturing within 12 months is assumed to approximate their carrying amount

(ii) The fair value of demand deposits and savings accounts (included in due to customers) with no specific maturity is assumed to be the amount payable on demand at the balance sheet date

(iii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the allowances for credit losses from both carrying amounts and fair values

(iv) The fair value of fixed-rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amounts of the allowances for credit losses from both carrying amounts and fair values.

The following table compares the carrying amount of financial assets and liabilities measured at cost to estimated fair values:

	2006			2005		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Interest earning securities held-to-maturity	**3,729**	**3,763**	**34**	6,572	6,717	145
Loans and receivables – banks	**134,819**	**134,819**	**–**	108,635	109,248	613
Loans and receivables – customer	**443,255**	**446,589**	**3,334**	380,248	383,547	3,299
Total	**581,803**	**585,171**	**3,368**	495,455	499,512	4,057
Financial liabilities						
Due to banks	**187,989**	**187,982**	**7**	167,821	168,469	(648)
Due to customers	**362,383**	**362,303**	**80**	317,083	317,714	(631)
Issued debt securities	**199,506**	**198,531**	**975**	167,804	170,271	(2,467)
Subordinated liabilities	**19,213**	**19,364**	**(151)**	19,072	19,551	(479)
Total	**769,091**	**768,180**	**911**	671,780	676,005	(4,225)

39 Financial risk management and use of derivatives

This section provides details of the Group's financial risk management objectives and policies and describes the methods used by management to control risk. In addition this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served. This note should be read in conjunction with the section Risk and the Capital Framework included in the Annual Report from page 69 to page 81.

Financial risk management and control

Risks of financial instruments

The most important types of risk associated with financial instruments to which the Group is exposed are:
- Credit risk and country event risk
- Interest rate risk (banking book positions)
- Market risk (including currency risk, interest rate risk, equity price risk and commodity risk of the trading book)
- Currency risk (banking book positions)
- Liquidity risk.

Below is a discussion of the various risks the Group is exposed to as a result of its activities and the approach taken to manage those risks.

Credit risk

Measurement and control

The Group is subject to credit risk through its lending, trading, hedging and investing activities as well as in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

The Group's senior management is responsible for establishing the credit policies and the mechanisms, organisation and procedures required to analyse, manage and control credit risk. In this respect, counterparty limits are set and an internal system of credit ratings is applied.

The Group's primary exposure to credit risk arises through its loans, credit facilities and guarantees issued. The Group is also exposed to credit risk on various other financial assets, including financial investments (interest earning securities), loans and receivables from banks, financial assets held for trading (interest earning securities and derivatives) and derivatives used for hedging.

The risk that counterparties might default on their obligations is monitored on an ongoing basis. For each transaction the Group evaluates whether collateral or a master netting agreement is required to mitigate the credit risk.

Maximum credit exposure

In the table below we have detailed the maximum credit exposure:

	2006	2005
Derivative assets held for trading	**105,334**	105,372
Financial investments – interest-earning securities	**121,287**	119,749
Loans and receivables – banks	**28,855**	21,371
Loans and receivables – customers	**327,313**	282,580
Professional securities transactions	**199,685**	162,005
Multi-seller conduits	**25,872**	25,931
Committed credit facilities	**145,418**	141,010
Credit related contingent liabilities	**51,279**	46,021
Total	**1,005,043**	904,039

The credit risk exposure on derivative assets held for trading is measured as the current positive replacement value. For interest-earning securities the amortised cost is included to reflect to credit risk exposure. The credit risk on professional security transactions is limited as a result of the nature of these transactions. The loans and receivables due from multi-seller conduits bear limited credit risk as these are fully collateralised.

Credit risk concentrations

Concentrations of credit risk (whether on- or off-balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing risk concentrations, country risk in emerging markets and sector risk are managed on a portfolio basis. Refer to the following tables for details of the credit risk concentrations on the customer portfolio.

Credit risk concentrations from loans and receivables – customers:

	2006		2005	
		% [1]		% [1]
Netherlands				
Public sector	**3,286**	**29**	2,300	31
Commercial	**55,951**	**31**	56,182	37
Consumer	**97,600**	**72**	94,603	77
Total	**156,837**		153,085	
***Europe** (excluding Netherlands)*				
Public sector	**1,527**	**13**	1,454	19
Commercial	**57,425**	**32**	30,882	20
Consumer	**12,529**	**9**	1,539	1
Total	**71,481**		33,875	
North America				
Public sector	**677**	**6**	735	10
Commercial	**42,179**	**23**	44,693	29
Consumer	**13,017**	**10**	15,218	13
Total	**55,873**		60,646	
Latin America				
Public sector	**507**	**4**	596	8
Commercial	**10,095**	**6**	8,024	5
Consumer	**8,320**	**6**	7,270	6
Total	**18,922**		15,890	
Asia Pacific				
Public sector	**5,570**	**48**	2,376	32
Commercial	**14,612**	**8**	12,630	9
Consumer	**4,018**	**3**	4,078	3
Total	**24,200**		19,084	
Group				
Public sector	**11,567**		7,461	
Commercial	**180,262**		152,411	
Consumer	**135,484**		122,708	
Total	**327,313**		282,580	
Professional securities transactions	**93,716**		74,724	
Multi-seller conduits	**25,872**		25,931	
Total loans and receivables – customers	**446,901**		383,235	

1 *Calculated as a percentage of Group totals for public, commercial and consumer sectors respectively.*

Credit risk concentrations from credit facilities and guarantees issued:

	2006		2005	
		%[1]		%[1]
Netherlands				
Credit related contingent liabilities	**3,445**	**7**	4,194	9
Committed credit facilities	**14,487**	**10**	17,881	13
Total	**17,932**		22,075	
***Europe** (excluding Netherlands)*				
Credit related contingent liabilities	**24,839**	**48**	20,222	44
Committed credit facilities	**38,512**	**26**	28,400	20
Total	**63,351**		48,622	
North America				
Credit related contingent liabilities	**15,662**	**31**	15,830	34
Committed credit facilities	**72,580**	**50**	78,660	55
Total	**88,242**		94,490	
Latin America				
Credit related contingent liabilities	**1,877**	**4**	1,364	3
Committed credit facilities	**6,682**	**5**	5,214	4
Total	**8,559**		6,578	
Asia Pacific				
Credit related contingent liabilities	**5,456**	**10**	4,411	10
Committed credit facilities	**13,157**	**9**	10,855	8
Total	**18,613**		15,266	
Group				
Credit related contingent liabilities	**51,279**		46,021	
Committed credit facilities	**145,418**		141,010	
Total	**196,697**		187,031	

1 *Calculated as a percentage of Group totals for credit related contingent liabilities and committed credit facilities respectively.*

Total commercial loans and receivables by industry are presented in the table below:

	2006		2005	
		%		%
Basic materials	**15,126**	**8**	8,263	5
Real estate	**23,712**	**13**	26,301	17
Industrials	**39,666**	**22**	22,757	15
Energy	**5,424**	**3**	7,391	5
Financial services	**21,407**	**12**	22,555	15
TMT (media and communications)	**10,092**	**6**	10,575	7
Consumer cyclical	**43,775**	**24**	36,673	24
Consumer non-cyclical	**16,204**	**9**	12,291	8
Health	**4,856**	**3**	5,605	4
Total	**180,262**		152,411	

The amounts stated in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. So the amounts significantly exceed expected losses in the event of counterparty default.

For a breakdown of counterparties for interest-earning securities in the available-for-sale and held-to-maturity portfolio, please refer to note 16. The Group has no significant exposure in loans and receivables – customers to any individual customer or counterparty, according to the requirements of the Dutch Central Bank.

Collateral
The Group's policy is to obtain collateral if and when required prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The transactions specify monetary limits to the Group's obligations. The extent of collateral held for guarantees and letters of credit is on average 25% (2005: 20%).

The following table details loans and receivables from commercial and consumer clients by type of collateral obtained.

	2006	2005
Commercial customers		
Public authority guarantees	**5,417**	4,404
Mortgages	**18,490**	28,441
Securities	**2,039**	3,487
Bank guarantees	**2,954**	3,121
Other types of collateral	**31,206**	50,439
Unsecured	**120,156**	62,519
Total	**180,262**	152,411
Consumer customers		
Public authority guarantees	**159**	3
Mortgages	**103,272**	93,826
Securities	**872**	2,074
Bank guarantees	**31**	856
Other types of collateral	**12,062**	7,077
Unsecured	**19,088**	18,872
Total	**135,484**	122,708

Interest rate risk (banking book)

Measurement and control

Several measures are used to monitor and limit banking book interest rate risk. The methods employed include earnings simulation, duration and present value per base point limits. Limits are set on the earnings and market value sensitivity. Model-based scenario analysis is used to monitor the interest rate risk positions denominated in euros, Brazilian reals and US dollars to the extent that these positions are held in Europe, Brazil and the US, which relates to some 85% to 90% (2005: 85% to 90%) of the total exposure of the Group. Interest rate risk positions in other currencies and other countries are controlled by present value per base point limits and/or market value limits, as these positions are typically less complex.

Net interest income is the sum of interest received less interest paid on large volumes of contracts and transactions, and numerous different products. Simulation models and estimation techniques are used to forecast the net interest income and to assess its sensitivity to movements in the shape and level of the yield curve. Assumptions about client behaviour play an important role in these calculations. This is particularly relevant for loans such as mortgages where the client has the option to repay before the scheduled maturity. On the liability side, the repricing characteristics of savings and deposits are based on estimates using historical data, since the rates attached to these products are not coupled to a specified market rate or maturity date. The bank uses a statistical approach for forecasting and sensitivity analyses because it is the method best suited to these products. Details are used to carry out our hedging strategy. Please refer to note 37 for more information on hedge accounting.

Interest rate sensitivity disclosure banking book positions

For assessing interest rate risk in the banking books, Group Asset and Liability Management provides a set of measures – the Earnings-at-Risk and Market Value Risk for the EUR, USD and BRL currencies – and reports these to the Group Asset and Liability Committee. This set covers 85% to 90% (2005: 85% to 90%) of our net interest revenue in the banking book. The interest rate sensitivity of our trading books is measured under market risk.

The Earnings-at-Risk table shows the cumulative sensitivity of net interest income over a time horizon of 6, 12, and 24 months, and under a number of predefined scenarios. Sensitivity is defined as the percentage change in the interest income relative to a base case scenario. The base case scenario assumes continuation of the present yield curve environment. The ‘rates rise’ and ‘rates fall’ scenarios assume a gradual parallel shift of the yield curve during 12 months, after which the curve remains unchanged. In order to reflect the differences in yield curve across markets, the scenarios are currency-dependent.

Due to the low interest environment the EUR ‘rates fall’ scenario is 150 bp (2005: 100 bp), whereas the ‘rates rise’ scenario is 200 bp for both years presented. The change in scenario, we applied from the first quarter 2006, reflects the higher EUR yield curve and the subsequent increased downward potential. For USD, the scenarios reflect a gradual change of 200 bp upwards and 200 bp downwards for both years. For BRL, the ‘rates rise’ scenario is 1,100 bp and the ‘Rates Fall’ is 800 bp for both years presented.

In all cases, the volume scenario assumes new business volume in line with the business forecast during the first year, and a constant balance sheet thereafter.

The following table shows the cumulative % change in income over the relevant time horizon:

Earnings-at-Risk

		December 2006			December 2005		
	Horizon	EUR	USD	BRL	EUR	USD	BRL
Rates rise	Six months	**(1.7%)**	**(0.2%)**	**(1.2%)**	(2.4%)	(2.1%)	(4.2%)
	One year	**(2.6%)**	**2.6%**	**(2.2%)**	(2.9%)	(1.6%)	(2.8%)
	Two years	**(1.6%)**	**4.2%**	**1.8%**	0.7%	0.3%	3.1%
Rates fall	Six months	**1.2%**	**(6.9%)**	**1.3%**	1.1%	(2.2%)	2.6%
	One year	**1.6%**	**(4.5%)**	**2.3%**	1.3%	(1.1%)	1.3%
	Two years	**(1.5%)**	**(3.7%)**	**(0.7%)**	(1.1%)	(8.8%)	(3.1%)

The Earnings-at-Risk table below gives the 2006 cumulative change in income over the relevant time horizon as absolute numbers using exchange rates at 31 December 2006.

Earnings-at-Risk

(in millions of euros)		December 2006			December 2005		
	Horizon	EUR	USD	BRL	EUR	USD	BRL
Rates rise	Six months	**(31)**	**(2)**	**(19)**	(30)	(19)	(55)
	One year	**(97)**	**44**	**(71)**	(75)	(30)	(77)
	Two years	**(123)**	**150**	**123**	35	12	179
Rates fall	Six months	**23**	**(58)**	**20**	15	(20)	35
	One year	**59**	**(76)**	**74**	33	(21)	36
	Two years	**(115)**	**(131)**	**(46)**	(58)	(343)	(180)

The Market Value Risk table below shows the sensitivity of the market value of equity to changes in interest rates for the EUR, USD and BRL currencies. Market value of equity is defined as the calculated discounted value of assets, minus calculated discounted value of liabilities, plus market value of derivatives and other interest sensitive items in the banking book. Sensitivity is measured as the percentage value change due to an overnight shock.

In 2006 all market value shocks have been reviewed and now reflect an overnight shock. The size of the shock is based on observed changes of the curve in a month and a 99% confidence level. End of 2005 the shocks were based on yearly changes. For EUR the 2006 shock was 50 bp (2005: downward shock 100 bp, upward shock 200 bp). For USD, the 2006 shock was 50 bp (2005: 200 bp). For BRL the 2006 downward shock was 230 bp (2005: 800 bp) and the 2006 upward shock was 320 bp (2005: 1,100 bp).

Market Value Risk (2006 scenarios)

	December 2006		
	EUR	USD	BRL
Rates rise	(1.8%)	(1.7%)	(4.9%)
Rates fall	1.4%	0.3%	3.8%

Market Value Risk (2005 scenarios)

	December 2006			December 2005		
	EUR	USD	BRL	EUR	USD	BRL
Rates rise	**(8.3%)**	**(11.4%)**	**(15.0%)**	(2.7%)	(4.1%)	(11.3%)
Rates fall	**2.6%**	**(9.1%)**	**14.8%**	0.7%	(13.4%)	4.7%

Market risk

Exposures

All trading portfolios are subject to market risk. Several major sources of market risk are: interest rate, foreign exchange, equity price, commodity price, credit spread, volatility risks and correlation risks. We define market risk as the risk that changes in financial market prices will decrease the value of our trading portfolios. The instruments in our trading portfolios are recognised at fair value, and all changes in market conditions directly affect net trading income.

Measurement and control

The Group applies a Value-at-Risk (VaR) methodology to estimate the market risk of trading portfolios and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group uses VaR as its primary tool for the day-to-day monitoring of market risks. Group Asset and Liability Committee sets limits on the maximum levels of the VaR on high aggregate levels. The risk committees can set VaR limits on various lower aggregate levels.

Other non-statistical control measures used in the market risk management process include historical and stress scenarios and limits on net open positions, interest rate sensitivity per basis point, spread sensitivities, option parameters, position concentrations and position ageing.

Value-at-Risk

VaR is a methodology for assessing market risk exposure in a single number. VaR is a statistical measure that estimates potential losses, and is defined as the predicted worst-case loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time and at a specific level of statistical confidence. The Group uses a proprietary VaR model that has been approved by the Dutch Central Bank.

The VaR methodology adopted by the bank for its VaR calculation is Historical Simulation, using approximately 1.5 years of weighted historical data (using the decay method). The VaR is calculated at a 99% confidence level for a one-day holding period, using absolute changes in historical rates and prices for interest rate related, and all implied volatility risk factors and relative changes in historical rates and prices for other risk factors. The positions captured by our VaR calculations include derivative and cash positions that are reported as assets and liabilities held for trading. The VaR is reported on a daily basis per trading portfolio, per product line and for the Group as a whole. It is reported daily to the senior management of the BUs, Group Risk Management and the responsible members of the Managing Board.

From 1 January 2006 we have implemented a revised VaR methodology to measure our market risk. We made the following enhancements to our 2005 model:

- For interest rate related, and all implied volatility related risk factor we moved to absolute historical changes as the model input instead of relative historical changes
- Using an approximately 1.5 year historical period instead of a 4 year period
- Introduction of a weighting factor for the historical data.

Observations and back testing of our previous model (which involves determining the number of days on which the losses were bigger than the estimated VaR of those days) learned that in particular circumstances the results from our previous model were no longer reflecting the best estimate of our market risk. Adoption of a shorter historical period and the introduction of a weighting factor for the historical data resulted in recent market movements to have a greater impact on future risk estimations and so made to the model more responsive to the current market conditioins. The enhancements to the model have led to improved risk estimation. As a result of the implementation of the new model in combination with benign markets over a significant period, our VaR number decreased significantly. We are of the opinion that the current model better reflects the actual market risk we are exposed to at every single point in time.

The table below provides the 2006 VaR numbers according to our new methodology and for 2006 and 2005 also according to the old methodology.

Value-at-Risk (VaR) per risk category (99% confidence level, one-day holding period) per our 2006 methodology

(in millions of euros)	For the year ended 31 December 2006			
	Minimum	Maximum	Average	Year-end
Interest rate risk	10.5	34.6	18.7	12.9
Equity price risk	11.4	35.3	23.3	15.2
Foreign exchange risk	1.8	10.8	4.7	3.2
Commodity price risk	1.6	13.6	3.4	1.7
Diversification effect	–	–	–	(13.6)
Aggregate VaR 1	19.4	49.8	31.8	19.4

1 *The maximum (and minimum) for each category occurred on different days and therefore have no direct relation to the maximum (and minimum) of the aggregate Value-at-Risk. The aggregate Value-at-Risk includes the diversification effect of imperfect or negative correlations between certain risk types. Therefore the aggregate Value-at-Risk can be lower than the sum of the individual risk types on the same day (e.g. year-end)*

Value-at-Risk (VaR) per risk category (99% confidence level, one-day holding period) per our 2005 methodology

(in millions of euros)	**For the year ended 31 December 2006**				For the year ended 31 December 2005			
	Minimum	Maximum	Average	Year-end	Minimum	Maximum	Average	Year-end
Interest rate risk	**18.4**	**63.7**	**30.4**	**20.8**	17.7	68.3	30.4	23.3
Equity price risk	**11.6**	**72.6**	**31.1**	**17.3**	13.0	70.6	36.8	36.2
Foreign exchange risk	**2.3**	**12.3**	**5.2**	**4.2**	1.2	15.7	4.2	3.0
Commodity price risk	**1.6**	**12.7**	**3.0**	**1.9**	0.7	5.9	2.0	2.1
Diversification effect	**–**	**–**	**–**	**(17.1)**	–	–	–	(20.9)
Aggregate VaR 1	**27.1**	**84.1**	**46.8**	**27.1**	25.3	80.2	50.0	43.7

1 *The maximum (and minimum) for each category occurred on different days and therefore have no direct relation to the maximum (and minimum) of the aggregate Value-at-Risk. The aggregate Value-at-Risk includes the diversification effect of imperfect or negative correlations between certain risk types. Therefore the aggregate Value-at-Risk can be lower than the sum of the individual risk types on the same day (e.g. year-end)*

At a 99% confidence level, the statistical expectation is that on one out of every 100 trading days a loss exceeding the VaR for such a day occurs. The back testing is performed both on the actual profit and loss and on a hypothetical profit and loss, which measures a result net of commissions, origination fees and intra-day trading. The results of this back testing on the actual and the hypothetical results are reported to the Dutch Central Bank on a quarterly basis. Back testing is an essential instrument for the ex-post validation of our internal VaR model.

Stress testing

Although the VaR represents a good estimate of potential losses under normal market circumstances, it fails to capture 'one-off' events. The limitations of the VaR model mean that we must supplement it with other statistical tests. These include a series of stress tests scenarios and sensitivity stress tests that shed light on the hypothetical behaviour of our portfolio and the impact on our financial results under extreme market movements. Sensitivity stress tests and stress test scenarios have been developed internally to reflect specific characteristics of the Group's portfolios and are performed on a daily basis for each trading portfolio and at several aggregation levels. These apply parallel increase and decreases in a number of risk elements or in one risk element, upon actual historical scenarios (non-parallel moves in a number of risk elements) or upon plausible future shocks.

Currency risk (banking book positions)

The Group's operating entities are required to manage any currency exposure arising on local transactions with funding in the same currency or to transfer the currency risk to the Group. Accordingly the Group is able to manage currency risk through its net investments in its non-euro operations.

We apply various hedging strategies to our net investments in our non-euro operations, in order to manage and minimise any adverse effects from translating the relevant foreign currency into euro.

Capital ratio hedge

To protect our capital ratios (core tier 1, tier 1 and total capital as a portion of risk-weighted assets) against adverse effects of the US dollar, our main foreign currency, the USD-sensitive part of our capital base has to be equal to the USD-sensitive part of our risk-weighted assets. On this basis, there will be no material impact on our capital ratios, as the ratios are hedged against changes in the EUR/USD exchange rate.

Capital hedge

The capital ratio hedge strategy implies that a part of our capital has to be USD-sensitive to neutralise the USD sensitivity of our risk-weighted assets. Hence a part of our equity is also exposed to EUR/USD fluctuations.

Our investments in foreign operations in currencies other than the USD are hedged on a selective basis. We consider the use of hedging in cases where the expected currency loss is larger than the interest rate differential between the two currencies that represents the cost of the hedge.

At December 2006, 29% (2005: 56%) of our net investment in foreign operations was hedged leaving approximately EUR 9.4 billion (2005: EUR 5 billion) unhedged including USD 2.6 billion and BRL 4.6 billion (2005: USD 1 billion and BRL 2 billion) where USD and BRL are both stated in EUR amounts. The table shows the sensitivity of our capital to, respectively, a 10% appreciation and 10% depreciation in the euro against all foreign currencies.

(in millions of euros)	**2006**	2005
Euro appreciates 10%	**(944)**	(559)
Euro depreciates 10%	**944**	559

Liquidity risk

Measurement and control

Liquidity risk arises in any bank's general funding of its activities. For example, a bank may be unable to fund its portfolio of assets at appropriate maturities and rates, or may find itself unable to liquidate a position in a timely manner at a reasonable price. The Group holds capital to absorb unexpected losses, and manages liquidity to ensure that sufficient funds are available to meet not only the known cash funding requirements, but also any unanticipated ones that may arise. At all times, the Group maintains what we believe to be adequate levels of liquidity on a Group-wide basis to meet deposit withdrawals, repay borrowings and fund new loans, even under stressed conditions.

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

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

As we have entered into committed credit facilities, our liquidity management process also involves assessing the potential effect of the contingencies inherent in these types of transactions on our normal sources of liquidity and finance.

Liquidity gap

The following table provides an analysis that categorises the balance sheet of the Group into relevant maturity groupings based on the remaining contractual periods to repayment.

Maturity for the year ended 31 December 2006:

	On demand	< 1 year	≥ 1 year - < 5 years	≥ 5 years	Total
Assets					
Cash and balances at central banks	12,317	–	–	–	12,317
Financial assets held for trading 1	205,736	–	–	–	205,736
Financial investments	–	29,999	33,097	62,285	125,381
Loans and receivables – banks	9,473	90,637	18,595	16,114	134,819
Leans and receivables – customers	17,202	202,880	61,100	162,073	443,255
Other assets 1	3,212	26,560	–	35,784	65,556
Total	247,940	350,076	112,792	276,256	987,064
Liabilities					
Financial liabilities held for trading 1	145,364	–	–	–	145,364
Due to banks	20,273	148,157	6,911	12,648	187,989
Due to customers	111,250	222,440	16,379	12,314	362,383
Issued debt securities	–	103,531	58,916	39,599	202,046
Subordinated liabilities	–	1,384	3,723	14,106	19,213
Other liabilities 1	3,965	18,836	–	21,373	44,174
Total	280,852	494,348	85,929	100,040	961,169
Net liquidity gap	(32,912)	(144,272)	26,863	176,216	25,895

1 *Financial assets and liabilities held for trading and hedging derivatives are shown as on demand which management believes most accurately reflects the short-term nature of the trading and derivative activities.*

Maturity for the year ended 31 December 2005:

	On demand	< 1 year	≥ 1 year - < 5 years	≥ 5 years	Total
Assets					
Cash and balances at central banks	16,657	–	–	–	16,657
Financial assets held for trading 1	202,055	–	–	–	202,055
Financial Investments	12,366	12,047	35,425	63,936	123,774
Loans and receivables – banks	7,251	80,091	5,922	15,371	108,635
Leans and receivables – customers	24,101	171,824	84,497	99,826	380,248
Other assets 1	3,213	21,268	4,341	20,613	49,435
Total	265,643	285,230	130,185	199,746	880,804
Liabilities					
Financial liabilities held for trading 1	148,588	–	–	–	148,588
Due to banks	30,905	117,150	8,349	11,417	167,821
Due to customers	147,846	138,630	14,481	16,126	317,083
Issued debt securities	1,495	100,873	34,548	33,703	170,619
Subordinated liabilities	–	1,156	5,101	12,815	19,072
Other liabilities 1	4,712	15,335	2,771	10,651	33,469
Total	333,546	373,144	65,250	84,712	856,652
Net liquidity gap	(67,903)	(87,914)	64,935	115,034	24,152

1 *Financial assets and liabilities held for trading and hedging derivatives are shown as on demand which management believes most accurately reflects the short-term nature of the trading and derivative activities.*

Use of derivatives

Derivative instruments

The Group uses derivative instruments (a) to provide risk management solutions to its clients, (b) to manage the Group’s own exposure to various risks (including interest, currency and credit risks) and (c) for proprietary trading purposes.

A derivative is a financial instrument that is settled at a future date and requires little or no initial net investment, and whose value varies in response to changes in the price of another financial instrument, an index or some other variable.

The majority of derivative contracts are arranged as to amount (‘notional’), tenor and price directly with the counterparty (over-the-counter). The remainder are standardised in terms of their amounts and settlement dates and are bought and sold in organised markets (exchange traded).

The notional, or contractual, amount of a derivative represents the reference quantity of the underlying financial instrument on which the derivative contract is based. The value of the derivative contract is typically determined by applying a calculated price to this notional amount, and is the basis upon which changes in the value of the contract are measured. The notional amount provides an indication of the underlying volume of business transacted by the Group but does not provide any measure of risk, and is not included on the balance sheet.

Positive and negative fair values on different transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis, and the Group has the legal right to offset separate transactions with that counterparty.

Types of derivative instruments

The most common types of derivatives used are as follows:

Forwards are binding contracts to buy or sell financial instruments, most typically currency, on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market.

Futures are exchange traded agreements to buy or sell a standard quantity of specified grade or type of financial instrument, currency or commodity at a specified future date.

Commodity derivatives are contracts to buy or sell a non-financial item. They can be either exchange traded or OTC.

Swaps are agreements between two parties to exchange cash flows on a specified notional amount for a predetermined period. Most swaps are traded OTC. The major types of swap transactions undertaken by the Group are as follows:

- Interest rate swap contracts – typically the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and a reference interest rate, most commonly LIBOR.
- Cross currency swaps – the exchange of interest payments based on two different currency principal balances and reference interest rates, and usually the exchange of principal amounts at the start and end of the contract.
- Credit default swaps (CDSs) – bilateral agreements under which one party (protection buyer) makes one or more payments to the other party (protection seller) in exchange for an undertaking by the seller to make a payment to the buyer following a specified credit event. Credit default swaps may be on a single name (counterparty) or on a multiple (or basket) of names (counterparties). Settlement following a credit event may be a net cash amount, or cash in return for physical delivery of one or more obligations of the credit entity and is made regardless of whether the protection buyer has actually suffered a loss.
- Total rate of return swaps give the total return receiver exposure to all of the cash flows and economic benefits and risks of an underlying asset, without having to own the asset, in exchange for a series of payments, often based on a reference interest rate, such as LIBOR. The total return payer has an equal and opposite position. A specific type of total return swap is an equity swap.

Options are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options may be traded OTC or on a regulated exchange, and may be traded in the form of a security (warrant).

Derivatives transacted for trading purposes

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks.

Trading activities are entered into principally for the purpose of generating profits from short term fluctuations in price or margin, and include market-making, positioning and arbitrage activities:

- Market making involves quoting bid and offer prices to other market participants with the intention of generating income based on spread and volume
- Positioning means managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices
- Arbitrage activities involve identifying and profiting from price differentials between markets and products.

Derivatives transacted for hedging purposes

The Group enters into derivative transactions for the purposes of hedging assets, liabilities, forecast transactions, cash flows and credit exposures. The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for accounting purposes (see accounting policies).

The Group also enters into derivative transactions which provide economic hedges for credit risk exposures but do not meet the requirements for hedge accounting treatment; for example, the Group uses CDSs as economic hedges for credit risk exposures in the loan and traded product portfolios, but cannot always apply hedge accounting to such positions.

Risks of derivative instruments

Derivative instruments are transacted in many trading portfolios, which generally include several types of instruments, not just derivatives. The market risk of derivatives is managed and controlled as an integral part of the market risk of these portfolios. The Group's approach to market risk is described in the market risk section of this note starting on page 211.

Derivative instruments are transacted with many different counterparties. The credit risk of derivatives is managed and controlled in the context of the Group's overall credit exposure to each counterparty. The Group's approach to credit risk is described in the financial risk section of this footnote. It should be noted that although the values shown on the balance sheet can be an important component of the Group's credit exposure, the positive fair values for any one counterparty are rarely an adequate reflection of the Group's credit exposure on its derivatives business with that counterparty. This is because, on the one hand, fair values can increase over time ('potential future exposure'), while on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements with counterparties.

40 Capital adequacy

To monitor the adequacy of capital the Group uses ratios established by the Bank for International Settlements (BIS). These ratios measure capital adequacy (minimum 8% as required by the BIS) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Off-balance-sheet credit related commitments and derivative instruments are taken into account by applying different categories of conversion factors, which are designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using the same percentages as for non-derivative assets.

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

Core tier 1 capital is tier 1 capital excluding preference shares.

The Group's capital adequacy level was as follows:

	Balance sheet / unweighted amount		Risk weighted amount, including effect of contractual netting	
	2006	2005	**2006**	2005
***Balance sheet assets** (net of provisions):*				
Cash and balances at central banks	**12,317**	16,657	**296**	432
Financial assets held for trading	**205,736**	202,055	**–**	–
Financial investments	**125,381**	123,774	**14,142**	11,620
Loans and receivables – banks	**134,819**	108,635	**7,215**	4,992
Loans and receivables – customers	**443,255**	380,248	**162,315**	152,044
Equity accounted investments	**1,527**	2,993	**943**	727
Property and equipment	**6,270**	8,110	**4,419**	6,638
Goodwill and other intangibles	**9,407**	5,168	**2,801**	4,437
Assets of business held for sale	**11,850**	–	**6,433**	-
Prepayment and accrued income	**9,290**	7,614	**3,794**	2,952
Other assets	**27,212**	25,550	**6,776**	8,893
Subtotal	**987,064**	880,804	**209,134**	192,735
Off-balance sheet positions and derivatives:				
Credit-related commitments and contingencies	**196,697**	187,031	**53,336**	48,621
Credit equivalent of derivatives			**13,960**	10,815
Insurance companies and other			**193**	275
Subtotal			**67,489**	59,711
Total credit risks			**276,623**	252,446
Market risk requirements			**4,081**	5,408
Total Risk Weighted Assets			**280,704**	257,854

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

	2006		2005	
	Required	Actual	Required	Actual
Total capital	**22,457**	**31,275**	20,628	33,874
Total capital ratio	**8.0%**	**11.14%**	8.0%	13.14%
Tier 1 capital	**11,228**	**23,720**	10,314	27,382
Tier 1 capital ratio	**4.0%**	**8.45%**	4.0%	10.62%
Core tier 1	**–**	**17,336**	–	21,828
Core tier 1 ratio	**–**	**6.18%**	–	8.47%

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

Credit equivalent of derivative contracts

	2006	2005
Interest rate contracts	**76.1**	84.8
Currency contracts	**35.0**	28.2
Other contracts	**70.9**	32.2
	182.0	145.2
Effect of contractual netting	**126.7**	97.4
Unweighted credit equivalent	**55.3**	47.8
Weighted credit equivalent	**13.9**	10.8

41 Private equity investments

Private equity investments are either consolidated or held at fair value.

Consolidated private equity holdings

Investments of a private equity nature that are controlled by the Group are consolidated. Such holdings represent a wide range of non-banking activities. Personnel and other costs relating to production and manufacturing activities are presented within material expenses. The impact of consolidating on the income statement these investments is set out in the following table.

	2006	2005	2004
Income of consolidated private equity holdings	**5,313**	3,637	2,616
Other income included in operating income	**(340)**	(242)	(96)
Total operating income of consolidated private equity holdings	**4,973**	3,395	2,520
Goods and material expenses of consolidated private equity holdings	**3,684**	2,519	1,665
Included in personnel expenses	**577**	362	399
Included in administrative costs	**466**	352	284
Included in depreciation and amortisation	**212**	133	151
Total operating expenses	**4,939**	3,366	2,499
Operating profit before tax of consolidated private equity holdings	**34**	29	21

Goods and material expenses includes personnel costs relating to manufacturing and production activities.

The assets and liabilities of these consolidated holdings are included in the Group balance sheet. Given the non-banking nature of the underlying activities, the main lines impacted are goodwill, property and equipment, other assets and issued debt securities. The total assets of these consolidated entities at 31 December 2006 were EUR 4,537 million (2005: EUR 3,477 million), excluding goodwill.

Unconsolidated private equity investments

The private equity investments over which the Group does not have control are accounted for at fair value with change through income. Although control is not with the Group, in many cases the Group has significant influence, usually evidenced by an equity stake of between 20% and 50%. Significant influence is held in approximately 88 (2005: 100) investments with a fair value of EUR 387 million at 31 December 2006 (2005: EUR 603 million), operating in various sectors including information technology, life sciences, media and telecommunications.

42 Joint ventures

The Group's activities conducted through joint ventures include insurance, trust and property development activities. See note 49 for further details. The consolidated financial statements of the joint ventures include the following assets and liabilities, income and expenses, which represent the Group's proportionate share:

	2006	2005
Assets		
Cash and balances at central banks	12	11
Financial investments	3,355	2,748
Loans and receivables – banks and customers	1,722	925
Equity accounted investments	–	6
Property and equipment	4	1,011
Accrued income and prepaid expenses	84	58
Other assets	4,080	2,161
Total	9,257	6,920
Liabilities		
Financial liabilities held for trading	6	871
Due to customers	1,128	896
Issued debt securities	22	7
Accrued expenses and deferred income	35	23
Other liabilities	7,827	4,994
Total	9,018	6,791
Total operating income	102	150
Operating expenses	51	71
Operating profit	51	79
Income tax expense	16	21
Net profit	35	58

43 Remuneration of Managing Board and Supervisory Board

Remuneration Managing Board

The current compensation policy for the Managing Board was introduced in 2001 and changed in the years 2005 and 2006. The main objective is to ensure that ABN AMRO is able to recruit both internally and externally and retain expert and experienced Managing Board members. To achieve this, the Managing Board remuneration has several elements that, as a package, make it comparable with the remuneration offered by relevant peers in the market. Peers are defined as other major Dutch companies and other European-parented banks.

The compensation package for the Managing Board has the following elements:

- Base salary
- Performance bonus
- Long-term incentives – Performance Share Plan and Share Investment & Matching Plan.

In addition there are a number of other benefits.

Base salary

A common base salary applies to all Managing Board members except the Chairman, to whom a 40% differential applies. In addition to the base salary, the non-Dutch Board member receives a market competitive allowance. Salaries are reviewed annually with adjustments taking effect from 1 January. In 2006 Managing Board base salaries were adjusted upwards by 1.5% to compensate for the effects of inflation. The gross annual base salary for the Managing Board members was adjusted from EUR 650,000 to EUR 659,750 and from EUR 910,000 to EUR 923,650 for the Chairman.

Performance bonus

The annual performance bonus for Managing Board members is based upon ABN AMRO's quantitative and qualitative performance objectives at both the corporate and BU level. The objectives are set annually by the Nomination & Compensation Committee and endorsed by the Supervisory Board. With effect from 2006 all individual Managing Board members' performance is assessed wholly against Group performance objectives. Previous links to the various Business Unit targets were abandoned.

In 2006 objectives such as economic profit, efficiency ratio and operating result were used to measure quantitative corporate performance. All three of these objectives are aimed at growth and profitability and carried an equal weighting of one-third. In addition, qualitative objectives are set such as Compliance and Leadership/Employee Engagement. Specific annual performance targets are not disclosed as they are considered competitively sensitive.

If the quantitative performance objectives are fully met, the 2006 bonus will be 150% of base salary with an upper limit of 200% for performance well above target. 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 2006 performance bonuses for Managing Board members have been set at the newly agreed 2006 bonus levels. The Committee assessed the 2006 performance against the set and realised quantitative objectives.

The bonuses with respect to the 2006 performance year for all Managing Board members, including the Chairman of the Managing Board, are set at 125% of the 2006 annual base salary. The assessment of the qualitative objectives did not give the Nomination & Compensation Committee reason to use its discretion to differentiate in the individual bonus results. Bonuses for the Managing Board members who left the bank in 2006 were also set at 125% of the salary earned while they were in active service in 2006. The individual bonus awards are shown in the table on page 224.

ABN AMRO Share Investment & Matching Plan

In 2004 shareholders' approval was obtained to encourage executive share ownership. Under this plan, the Board members may defer a maximum of 25% of their annual salary into ABN AMRO Holding N.V. shares (investment shares). This amount must be funded from the net bonus outcome of the relevant performance year. If the net bonus outcome is insufficient to fund the full investment amount the participation will be withdrawn.

At the end of a three-year vesting period the investment shares will be matched by the bank on the basis of one ABN AMRO share (matching share) for each investment share, provided that the Managing Board member remains employed within the ABN AMRO Group during the vesting period. The investment shares, together with the built-up dividends, will be released three years after deferral. The matching shares must be held for at least five years from vesting, with the possibility of selling some of the shares to settle the tax obligation.

In 2006 – with respect to the 2005 bonus – all Managing Board members have participated in this plan. Of the six Managing Board members who were already a Board member in 2005, five participated for the maximum amount of 25% of base salary and one Managing Board member for 12.5% of base salary. The three newly appointed Managing Board members each participated for a fixed investment amount of EUR 100,000 that was applicable for them as being a SEVP in 2005. The total amount that was used to purchase Investment Shares was EUR 1,258,596 for all nine Managing Board members. With respect to the bonus for 2006 six of the current seven Managing Board members participated for 25% of annual salary and one member chose to invest an amount of EUR 75,000.

Share options

Share options have been an integral part of ABN AMRO top executives' compensation for several years.

As of 2005 share options no longer form part of the long-term reward package for the Managing Board or for the Top Executive Group as a whole. The options granted in the years up to and including 2004 will remain in place. In 2006 no options expired. The options granted in 2003 vested on 24 February 2006 and will remain exercisable during the remainder of the ten-year option period, which runs up to and including 23 February 2013. The options granted in 2004 have vested on 13 February 2007, because the set return on equity performance condition for this award was met by the end of the three year performance period in 2006. The options will remain exercisable up to and including 12 February 2014.

The Managing Board announced to the Nomination & Compensation Committee on 30 January 2006 their collective decision to limit the exercise of their options going forward exclusively to the first day of the first open period after vesting and/or expiration periods, or to earlier equivalent contractual dates in line with the plan rules, such as the date of retirement. For the 2004 options this means that the first possible date to exercise will be the first day of the second open period in 2007. Although this limits the theoretical value of the options, the Managing Board believes the increase in transparency to the market outweighs this theoretical disadvantage.

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 2006 Managing Board members received a conditional award of 60,000 shares and the Chairman 84,000 shares. The Performance Share Plan grant in 2006 was based half on the relative total return to shareholders (TRS) performance and half on the average return on equity (ROE) achieved by the bank over the four-year performance period, defined as the year of grant and three subsequent years.

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

The ROE linked part of the award was introduced in 2005. The pay-out of this part of the award will be linked to the average ROE target for the performance period using a sliding scale, with a threshold at 25% and a maximum award of 100%.

Another condition is that the recipient must still be in service with the Group at the end of the performance period. The four-year performance cycle for the conditional shares as awarded in 2003 came to a close at the end of 2006, and ABN AMRO's position in the peer group was position 16, meaning that the performance share award has not vested.

Pension

The Managing Board's pensionable salary is 100% of annual base salary. Until 31 December 2005 the normal retirement age of the Managing Board members was 62. Since 1 January 2006 the plan has been changed in such a way that the normal retirement age is 65, based on average income (2.15% per year). It is possible to retire earlier. The ABN AMRO Pension Fund manages the pension plan.

Specific benefits

The Managing Board's compensation package also includes:

- The use of a company lease car with driver
- Reimbursement of the cost of adequate security measures for their main private residence
- A 24-hour personal accident insurance policy with a fixed covered amount of EUR 1.8 million for members and EUR 2.5 million for the Chairman
- Contributions towards private health insurance, according to the policies applicable to all other ABN AMRO employees in the Netherlands
- Preferential rates on bank products such as mortgages and loans, according to the same policies that apply to all other ABN AMRO staff in the Netherlands.

The following table summarises total reward, ABN AMRO options and shares, and outstanding loans of the members of the Managing Board and Supervisory Board.

(in thousands of euros)	Managing Board		Supervisory Board	
	2006	2005	**2006**	2005
Payments	**9,247** [1]	4,639	**1,041**	787
Profit-sharing and bonus payments	**6,999**	4,787	**–**	–
Share-based payments	**6,882**	6,063	**–**	–
Pension benefits	**1,683**	1,324	**–**	–
Loans (outstanding)	**11,667**	11,518	**257**	2,100
(number of shares, share awards, options)				
ABN AMRO share awards (conditional, granted)	**610,299**	429,058	**–**	–
ABN AMRO staff options (outstanding)	**1,955,857**	2,380,835	**–**	–
ABN AMRO share awards (outstanding)	**1,161,322**	1,196,835	**–**	–
ABN AMRO shares / ADRs (owned)	**341,354**	124,004	**27,567**	34,847

1 *Included in this balance is a termination payment to Mr C.H.A. Collee of EUR 3 million in 2006.*

The following table summarises the salaries, other rewards and bonuses of individual Managing Board members.

(in thousands of euros)	**2006**					2005				
	Base Salary	Other payments[1]	Bonus	Share-based payments[2]	Pension costs[3]	Base Salary	Other payments[1]	Bonus	Share-based payments[2]	Pension costs[3]
R.W.J. Groenink	**924**	**–**	**1,155**	**1,290**	**286**	910	4	1,047	1,331	263
W.G. Jiskoot	**660**	**–**	**825**	**922**	**205**	650	2	748	951	185
T. de Swaan **4**	**220**	**–**	**275**	**877**	**75**	650	2	748	951	206
J.Ch.L. Kuiper	**660**	**–**	**825**	**922**	**284**	650	4	748	951	264
C.H.A. Collee **5**	**660**	**3,000**	**619**	**938**	**184**	650	3	748	951	168
H.Y. Scott-Barrett	**660**	**483**	**825**	**880**	**189**	650	464	748	928	238
H. G. Boumeester	**660**	**–**	**825**	**331**	**203**					
P. S. Overmars	**660**	**–**	**825**	**361**	**128**					
R. Teerlink	**660**	**–**	**825**	**361**	**129**					

1 *Other payments are comprised of contributions towards private health insurance and foreigner allowance as well as a termination payment. Mr H.Y. Scott-Barrett received a foreigner allowance of EUR 471 thousand and a tax allowance of EUR 12 thousand. In 2005 the allowance amounted to EUR 464 thousand. Mr C.H.A. Collee received EUR 3 million termination payment.*
2 *Share-based payments are calculated in accordance with IFRS 2 by recognising the fair value of the shares or options at grant date over the vesting period.*
3 *Pension costs exclusively comprise pension service cost computed on the basis of IAS 19.*
4 *Mr T. de Swaan retired on 1 May 2006.*
5 *Mr C.H.A. Collee stepped down on 31 December 2006.*

The following tables reflect movements in the option holdings of the Managing Board as a whole and of individual Board members. The conditions governing the granting of options are included in note 44.

	2006		2005	
	Options held by Managing Board	Average exercise price (in euros)	Options held by Managing Board	Average exercise price (in euros)
Movements:				
Balance at 1 January	**2,380,835**	**18.83**	2,382,251	18.84
Options exercised/cancelled	**252,500**	**14.45**	1,416	22.23
Other	**172,478**	**21.34**	–	–
Balance at 31 December	**1,955,857**	**19.18**	2,380,835	18.83

	Balance at 1 January	Exercise price (in euros)	Exercised / cancelled	Entered / (Left)	Balance at 31 December	Weighted average share price at exercise	Year of expiration date
R.W.J. Groenink							
Executive 2000	60,000	21.30	–	–	60,000	–	2007
Executive 2001	55,000	23.14	–	–	55,000	–	2008
Executive 2002 **1, 2**	112,000	19.53	–	–	112,000	–	2012
Executive 2003 **1, 3**	133,000	14.45	–	–	133,000	–	2013
Executive 2004 **1, 4**	126,000	18.86	–	–	126,000	–	2014
AOR 2001	271	22.34	–	–	271	–	2008
AOR 2002	296	20.42	–	–	296	–	2009
	486,567		–	–	486,567		
W.G. Jiskoot							
Executive 2000	60,000	21.30	–	–	60,000	–	2007
Executive 2001	55,000	23.14	–	–	55,000	–	2008
Executive 2002 **1, 2**	80,000	19.53	–	–	80,000	–	2012
Executive 2003 **1, 3**	95,000	14.45	(95,000)	–	–	21.55	2013
Executive 2004 **1, 4**	90,000	18.86	–	–	90,000	–	2014
AOR 2001	271	22.34	–	–	271	–	2008
AOR 2002	296	20.42	–	–	296	–	2009
	380,567		(95,000)	–	285,567		
T. de Swaan **5**							
Executive 2000	60,000	21.30	–	(60,000)	–	–	2007
Executive 2001	55,000	23.14	–	(55,000)	–	–	2008
Executive 2002 **1, 2**	80,000	19.53	–	(80,000)	–	–	2012
Executive 2003 **1, 3**	95,000	14.45	–	(95,000)	–	–	2013
Executive 2004 **1, 4**	90,000	18.86	–	(90,000)	–	–	2014
AOR 2001	271	22.34	–	(271)	–	–	2008
AOR 2002	296	20.42	–	(296)	–	–	2009
	380,567		–	(380,567)	–		
J.Ch.L. Kuiper							
Executive 2000	60,000	21.30	–	–	60,000	–	2007
Executive 2001	55,000	23.14	–	–	55,000	–	2008
Executive 2002 **1, 2**	80,000	19.53	–	–	80,000	–	2012
Executive 2003 **1, 3**	95,000	14.45	(95,000)	–	–	21.55	2013
Executive 2004 **1, 4**	90,000	18.86	–	–	90,000	–	2014
AOR 2001	271	22.34	–	–	271	–	2008
AOR 2002	296	20.42	–	–	296	–	2009
	380,567		(95,000)	–	285,567		

1 *Conditionally granted.*
2 *Vested on 25 February 2005.*
3 *Vested on 24 February 2006.*
4 *Vested on 13 February 2007.*
5 *Mr T. de Swaan retired on 1 May 2006.*
6 *Mr C.H.A. Collee stepped down on 31 December 2006.*

	Balance at 1 January	Exercise price (in euros)	Exercised / cancelled	Entered / (Left)	Balance at 31 December	Weighted average share price at exercise	Year of expiration date
***C.H.A. Collee* 6**							
Executive 2000	56,000	21.30	–	(56.000)	–	–	2007
Executive 2001	55,000	23.14	–	(55.000)	–	–	2008
Executive 2002 **1, 2**	80,000	19.53	–	(80.000)	–	–	2012
Executive 2003 **1, 3**	95,000	14.45	(35,000)	(60.000)	–	21.55	2013
Executive 2004 **1, 4**	90,000	18.86	–	(90.000	–	–	2014
AOR 2001	271	22.34	–	(271)	–	–	2008
AOR 2002	296	20.42	–	(296)	–	–	2009
	376,567		(35,000)	(341,567)	–		
H.Y. Scott-Barrett							
Executive 2000	56,000	21.30	–	–	56,000	–	2007
Executive 2001	55,000	23.14	–	–	55,000	–	2008
Executive 2002 **1, 3**	80,000	19.53	–	–	80,000	–	2012
Executive 2003 **1, 3**	95,000	14.45	–	–	95,000	–	2013
Executive 2004 **1, 4**	90,000	18.86	–	–	90,000	–	2014
	376,000		–	–	376,000		
H.G. Boumeester							
Executive 2000	–	21.30	–	20,000	20,000	–	2007
Executive 2001	–	23.14	–	16,875	16,875	–	2008
Executive 2002 **1, 2**	–	19.53	–	25,000	25,000	–	2012
Executive 2003 **1, 3**	–	14.45	(27,500)	27,500	–	21.55	2013
Executive 2004 **1, 4**	–	18.86	–	52,500	52,500	–	2014
	–		(27,500)	141,875	114,375		
P.S. Overmars							
Executive 2000	–	21.30	–	25,000	25,000	–	2007
Executive 2001	–	23.14	–	16,875	16,875	–	2008
Executive 2002 **1, 2**	–	19.53	–	50,000	50,000	–	2012
Executive 2003 **1, 3**	–	14.45	–	55,000	55,000	–	2013
Executive 2004 **1, 4**	–	18.86	–	52,500	52,500	–	2014
	–		–	199,375	199,375		
R. Teerlink							
Executive 2000	–	21.30	–	15,000	15,000	–	2007
Executive 2001	–	23.14	–	16,406	16,406	–	2008
Executive 2002 **1, 2**	–	19.53	–	50,000	50,000	–	2012
Executive 2003 **1, 3**	–	14.45	–	74,500	74,500	–	2013
Executive 2004 **1, 4**	–	18.86	–	52,500	52,500	–	2014
	–		–	208,406	208,406		

1 *Conditionally granted.*
2 *Vested on 25 February 2005.*
3 *Vested on 24 February 2006.*
4 *Vested on 13 February 2007.*
5 *Mr T. de Swaan retired on 1 May 2006.*
6 *Mr C.H.A. Collee stepped down on 31 December 2006.*

The following table shows movements in shares conditionally awarded under the Performance Share Plan. For the years to 2005 the conditional award was based 100% on the bank's ranking in the peer group (TRS ranking). For the year 2005 and 2006, 50% of the award is on the TRS ranking and 50% on the average ROE target for the reference period. The number of shares conditionally awarded on the TRS ranking in the table below assumes a ranking of fifth in the peer group, in line with our ambition. The number of shares conditionally awarded on the ROE target assumes that we will achieve an average ROE above 20% per annum, our target for the performance cycle 2005-2008 and 2006-2009.

	Type of condition	Reference period	Balance at 1 January	Granted	Entered	Left	Expired / forfeited	Balance at 31 December
R.W.J. Groenink	TRS	2003-2006	98,000	–	–	–	(98,000)	–
	TRS	2004-2007	70,000	–	–	–	–	70,000
	TRS	2005-2008	42,000	–	–	–	–	42,000
	ROE	2005-2008	42,000	–	–	–	–	42,000
	TRS	2006-2009	–	42,000	–	–	–	42,000
	ROE	2006-2009	–	42,000	–	–	–	42,000
W.G. Jiskoot	TRS	2003-2006	70,000	–	–	–	(70,000)	–
	TRS	2004-2007	50,000	–	–	–	–	50,000
	TRS	2005-2008	30,000	–	–	–	–	30,000
	ROE	2005-2008	30,000	–	–	–	–	30,000
	TRS	2006-2009	–	30,000	–	–	–	30,000
	ROE	2006-2009	–	30,000	–	–	–	30,000
T. de Swaan 1	TRS	2003-2006	70,000	–	–	–	(70,000)	–
	TRS	2004-2007	50,000	–	–	(37,500)	(12,500)	–
	TRS	2005-2008	30,000	–	–	(15,000)	(15,000)	–
	ROE	2005-2008	30,000	–	–	(15,000)	(15,000)	–
	TRS	2006-2009	–	30,000	–	(7,500)	(22,500)	–
	ROE	2006-2009	–	30,000	–	(7,500)	(22,500)	–
J.Ch.L. Kuiper	TRS	2003-2006	70,000	–	–	–	(70,000)	–
	TRS	2004-2007	50,000	–	–	–	–	50,000
	TRS	2005-2008	30,000	–	–	–	–	30,000
	ROE	2005-2008	30,000	–	–	–	–	30,000
	TRS	2006-2009	–	30,000	–	–	–	30,000
	ROE	2006-2009	–	30,000	–	–	–	30,000
C.H.A. Collee 2	TRS	2003-2006	70,000	–	–	–	(70,000)	–
	TRS	2004-2007	50,000	–	–	(37,500)	(12,500)	–
	TRS	2005-2008	30,000	–	–	(15,000)	(15,000)	–
	ROE	2005-2008	30,000	–	–	(15,000)	(15,000)	–
	TRS	2006-2009	–	30,000	–	(7,500)	(22,500)	–
	ROE	2006-2009	–	30,000	–	(7,500)	(22,500)	–
H.Y. Scott-Barrett	TRS	2003-2006	70,000	–	–	–	(70,000)	–
	TRS	2004-2007	50,000	–	–	–	–	50,000
	TRS	2005-2008	30,000	–	–	–	–	30,000
	ROE	2005-2008	30,000	–	–	–	–	30,000
	TRS	2006-2009	–	30,000	–	–	–	30,000
	ROE	2006-2009	–	30,000	–	–	–	30,000

1 *Mr T. de Swaan retired on 1 May 2006.*
2 *Mr C.H.A. Collee stepped down on 31 December 2006.*

	Type of condition	Reference period	Balance at 1 January	Granted	Entered	Left	Expired / forfeited	Balance at 31 December
H.G. Boumeester	TRS	2004-2007	–	–	20,000	–	–	20,000
	TRS	2005-2008	–	–	15,000	–	–	15,000
	ROE	2005-2008	–	–	15,000	–	–	15,000
	TRS	2006-2009	–	30,000	–	–	–	30,000
	ROE	2006-2009	–	30,000	–	–	–	30,000
P.S. Overmars	TRS	2003-2006	–	–	20,000	–	(20,000)	–
	TRS	2004-2007	–	–	20,000	–	–	20,000
	TRS	2005-2008	–	–	15,000	–	–	15,000
	ROE	2005-2008	–	–	15,000	–	–	15,000
	TRS	2006-2009	–	30,000	–	–	–	30,000
	ROE	2006-2009	–	30,000	–	–	–	30,000
R. Teerlink	TRS	2003-2006	–	–	20,000	–	(20,000)	–
	TRS	2004-2007	–	–	20,000	–	–	20,000
	TRS	2005-2008	–	–	15,000	–	–	15,000
	ROE	2005-2008	–	–	15,000	–	–	15,000
	TRS	2006-2009	–	30,000	–	–	–	30,000
	ROE	2006-2009	–	30,000	–	–	–	30,000

1 *Mr T. de Swaan retired on 1 May 2006.*
2 *Mr C.H.A. Collee stepped down on 31 December 2006.*

The following table reflects the number of matched shares the Managing Board will receive under the ABN AMRO Share Investment & Matching Plan at the end of the vesting period, provided the member of the Managing Board remains employed within ABN AMRO during the vesting period.

	Balance at 1 January	Granted	Entered	Left	Expired / cancelled	Balance at 31 December	Vesting period
R.W.J. Groenink	10,692	9,530	–	–	–	20,222	2005-2008
W.G. Jiskoot	7,637	6,807	–	–	–	14,444	2005-2008
T. de Swaan **1**	7,637	378	–	(3,348)	(4,667)	–	2006-2007
J.Ch.L. Kuiper	7,637	6,807	–	–	–	14,444	2005-2008
C.H.A. Collee **2**	7,637	6,807	–	(6,557)	(7,887)	–	2005-2008
H.Y. Scott-Barrett	3,818	3,403	–	–	–	7,221	2005-2008
H. G. Boumeester	–	4,189	4,808	–	–	8,997	2005-2008
P. S. Overmars	–	4,189	4,808	–	–	8,997	2005-2008
R. Teerlink	–	4,189	4,808	–	–	8,997	2005-2008

1 *Mr T. de Swaan retired on 1 May 2006.*
2 *Mr C.H.A. Collee stepped down on 31 December 2006.*

ABN AMRO ordinary shares held by Managing Board members at 31 December [1]

	2006	2005
R.W.J. Groenink	**77,012**	30,574
W.G. Jiskoot	**62,377**	28,827
T. de Swaan [2]	**–**	15,259
J.Ch.L. Kuiper	**65,315**	16,442
C.H.A. Collee [3]	**–**	8,778
H.Y.Scott-Barrett	**51,577**	24,124
H. G. Boumeester	**47,465**	
P. S. Overmars	**16,842**	
R. Teerlink	**20,766**	
Total	**341,354**	124,004

1 *No preference financing shares were held by any Managing Board member.*
2 *Mr T. de Swaan retired on 1 May 2006.*
3 *Mr C.H.A. Collee stepped down on 31 December 2006.*

Loans from ABN AMRO to Managing Board members

(in thousands of euros)	2006		2005	
	Outstanding on 31 December	Interest rate	Outstanding 31 December	Interest rate
R.W.J. Groenink	**4,800**	**3.46**	5,136	3.58
W.G. Jiskoot	**1,674**	**3.60**	1,674	3.94
T. de Swaan [2]	**–**	**–**	1,407	2.75[1]
J.Ch.L. Kuiper	**655**	**3.83**	681	3.72
C.H.A. Collee [3]	**–**	**–**	2,620	3.27
H. G. Boumeester	**2,649**	**4.64**		
P. S. Overmars	**1,163**	**4.00**		
R. Teerlink	**726**	**4.50**		

1 *Variable rate.*
2 *Mr T. de Swaan retired on 1 May 2006*
3 *Mr C.H.A. Collee stepped down on 31 December 2006*

The decrease in outstandings between 31 December 2005 and 31 December 2006 is caused by repayments.

The following table provides information on the remuneration of individual members of the Supervisory Board. As of 1 May 2006 the remuneration was adjusted. The members of the Supervisory Board receive an equal remuneration of EUR 60,000 per annum. For the Vice Chairman this remuneration is EUR 70,000 and for the Chairman EUR 85,000 per annum. For the membership of the Audit Committee an additional allowance of EUR 15,000 for the members is applied on an annual basis. The annual allowance for the members of the Nomination & Compensation Committee and the Compliance Oversight Committee is EUR 10,000. The annual allowance for the Chairman of the Audit Committee is EUR 20,000 and for the Chairmen of the two other Committees EUR 15,000 per annum. The general expenses allowances were abolished and actual business expenses incurred can be declared and are eligible for reimbursement. Supervisory Board members that are not resident in the Netherlands are entitled to general allowances for each Supervisory Board meeting that they attend, namely EUR 7,500 for members who live outside Europe and EUR 5,000 for members who live in Europe. This allowance applies to meetings of both the Supervisory Board and the various committees and is paid only once when meetings are being held on the same day or on consecutive days and is only paid when the members physically attend the meetings.

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)	**2006**	2005
A.C. Martinez 1	**113**	56
A.A. Olijslager	**73**	45
Mrs L.S. Groenman	**53**	40
D.R.J. Baron de Rothschild 1	**53**	40
Mrs T.A. Maas-de-Brouwer	**75**	48
M.V. Pratini de Moraes 1	**66**	45
P. Scaroni 1	**53**	40
Lord Sharman of Redlynch 1	**69**	48
R. van den Bergh 1	**60**	27
A. Ruys	**60**	27
G.J. Kramer	**40**	–
H.G. Randa	**40**	–
A.A. Loudon 2	**21**	63
A. Burgmans 2	**22**	48
W. Dik 3	**–**	16
M.C. van Veen 3	**–**	20

1 *Excluding an attendance fee.*
2 *Messrs A.A. Loudon and A. Burgmans resigned on 27 April 2006.*
3 *Messrs W. Dik and M.C. van Veen resigned on 29 April 2005.*

ABN AMRO ordinary shares held by Supervisory Board members 1

	2006	2005
A.C. Martinez 2	**3,000**	3,000
A.A. Olijslager	**3,221**	3,221
M.V. Pratini de Moraes 2	**5,384**	5,384
R.F. van den Bergh	**13,112**	8,167
A. Ruys	**2,850**	–
A.A. Loudon 3	**–**	5,421
A. Burgmans 3	**–**	9,654
Total	**27,567**	34,847

1 *No financing preference shares were held by any Supervisory Board member.*
2 *ADRs.*
3 *Messrs A.A. Loudon and A. Burgmans resigned on 27 April 2006.*

Loans from ABN AMRO to Supervisory Board members

The outstanding loans at 31 December 2006 amounts to EUR 0.3 million with an interest rate of 3.83% (2005: EUR 2.1 million – 3.00%) and relates to Mrs L.S. Groenman (2005: related to Mr A. Burgmans).

Senior Executive Vice Presidents (SEVPs) Compensation 2006

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 402,000 (2005: EUR 396,000)
- *Performance bonus*. The annual performance bonus is linked to the respective markets within the various countries where we operate. The median bonus amount paid with respect to the 2006 performance year was EUR 1.3 million (2005: EUR 1 million). Bonuses for individual SEVPs vary widely, again reflecting market and location. No absolute maximum level of bonus has been defined for SEVPs
- *Long-term incentives such as the Performance Share Plan and the Share Investment & Matching Plan*. Long-term incentives are set at a lower level than the applicable yearly grants to Managing Board members. SEVPs received an award under the Top Executive Performance Share Plan and are eligible to participate on a voluntary basis in the Share Investment & Matching Plan. All SEVPs receive identical grants.

In addition, a number of benefits apply in relation to the respective markets and countries of residence.

The total compensation for SEVP's in 2006 amounts to EUR 47 million (2005: EUR 51 million).

44 Share-based payment plans

ABN AMRO grants long-term share-based incentive awards to members of the Managing Board, other top executives and key staff under a number of plans.

The current plans for the Managing Board (Performance Share Plan and Share Investment & Matching Plan) are described in note 43. At a lower level, the Performance Share Plan is also applicable to the second tier of top executives, the SEVPs. Both the SEVPs and the third level of top executives, the EVPs and MDs, may defer a part of their bonus to the Share Investment & Matching Plan. Furthermore, there is a Restricted Share Plan for the EVPs /MDs with performance conditions linked to the average return on equity in line with the Performance Share Plan of the Managing Board. All these plans are equity-settled.

There is also a cash-settled Performance Share Plan for the EVPs/MDs for the performance cycle 2005-2008.

With effect from 2006 share options are no longer granted to key staff. The options are replaced by restricted shares in line with the changes for the top executives in 2005.

Share-based compensation expense totalled EUR 78 million in 2006 (EUR 61 million in 2005 and EUR 4 million in 2004). The total carrying amount of liabilities arising from cash-settled share-based payments transactions amounted to EUR 10 million at 31 December 2006 (2005: EUR 22 million).

Option plans

The fair value of options granted is determined using a Lattice option pricing model. The following table shows the assumptions on which the calculation of the fair value of these options was based. The expected volatility was based on historical volatility.

For the calculation of the fair value of the options granted to the Top Executives in 2004, the same assumptions were used. The expense recorded in 2006 regarding all options plans amounted to EUR 28 million (2005: EUR 43 million).

	2005	2004
Grant date	16 February 2005	13 February 2004
Expiration date	16 February 2015	13 February 2014
Exercise price (in euros)	21.24	18.86
Share price on grant date (in euros)	21.24	18.86
Volatility	34%	35%
Expected dividend yield	5.2%	4.7%
Interest rate	3.7%	4.3%
Fair value at grant date (in euros)	4.24	3.98

The following table shows the movements of options outstanding.

	2006		2005		2004	
	Number of options (in thousands)	Average exercise price (in euros)	Number of options (in thousands)	Average exercise price (in euros)	Number of options (in thousands)	Average exercise price (in euros)
Balance at 1 January	**62,269**	**19.06**	63,050	18.94	59,149	19.30
Movements:						
Options granted to Managing Board members	**–**	**–**	–	–	576	18.86
Options granted to other Top Executives	**–**	**–**	–	–	6,175	18.86
Other options granted	**–**	**–**	7,939	21.24	8,254	18.76
Options forfeited	**(1,225)**	**19.04**	(2,780)	18.29	(760)	18.03
Options exercised	**(7,791)**	**17.11**	(1,868)	18.05	(3,160)	18.10
Options expired	**–**	**–**	(4,072)	22.43	(7,184)	22.04
Balance at 31 December	**53,253**	**19.35**	62,269	19.06	63,050	18.94
Of which exercisable	**32,757**	**19.15**	26,873	20.96	19,599	21.96
Of which exercisable and in the money	**32,601**	**19.14**	17,413	20.01	1,551	17.95
Of which hedged	**19,177**	**18.59**	26,968	18.14	28,837	18.06

In 2006 and 2005, the price of options exercised ranged from EUR 23.14 to EUR 14.45, compared to an average share price of EUR 22.81 in 2006 and EUR 20.11 in 2005. If all exercisable rights were to be exercised, shareholders' equity would increase by an amount of EUR 627 million (2005: EUR 563 million). Deliveries on options exercised in 2006 were made from share repurchases on the date of grant (7,791,365 shares; 2005: 1,868,242 shares) and from new shares issued on the exercise date (no shares; 2005: no shares).

The following tables further detail the options outstanding at 31 December 2006:

	Outstanding (in thousands)	Average exercise price (in euros)	Low/high exercise price (in euros)
Year of expiration			
2007	3,776	21.30	21.30
2008	8,764	22.73	23.14-22.34
2009	3,827	20.42	20.42
2010	807	15.06	15.06
2011	495	17.12	17.12
2012	6,855	19.17	19.53-17.46
2013	8,727	14.45	14.65-14.45
2014	12,749	18.86	19.06-18.86
2015	7,253	21.24	21.24
Total	53,253	19.35	23.14-14.45

	Options outstanding			Options Exercisable	
	Oustanding (in thousands)	Weighted-average exercise price (in euros)	Weighted-average remaining contractual life (in years)	Exercisable (in thousands)	Weighted–average exercise price (in euros)
***Range of exercise price** (in euros)*					
14.45-17.50	11,232	14.93	5.82	10,737	14.83
17.51-20.00	18,402	19.07	6.52	5,653	19.53
20.01-22.50	19,224	21.35	3.91	11,972	21.41
> 22.51	4,395	23.07	1.14	4,395	23.07
Total	53,253	19.35	4.99	32,757	19.15

Share plans

For the calculation of the expense for the share plans, various models were used. The total expense in 2006 amounted to EUR 50 million (2005: EUR 19 million). The following table presents a summary of all shares conditionally granted to the Top Executives of ABN AMRO. For the number of shares granted on the TRS-ranking under the Performance Share Plan, a ranking of fifth in the peer group has been assumed.

(in thousands)	**2006**	2005	2004
Balance at 1 January	**5,637**	3,688	4,741
Granted	**6,212**	2,892	1,797
Forfeited	**(1,633)**	(283)	(2,850)
Vested	**(1,037)**	(660)	–
Balance at 31 December	**9,179**	5,637	3,688

45 Discontinued operations and assets and liabilities held for sale

On 1 December 2006, the Group disposed of the property development and management activities of its Bouwfonds subsidiary. The Bouwfonds Property Development, Bouwfonds Asset Management, Bouwfonds Fondsenbeheer, Rijnlandse Bank and Bouwfonds Holding were sold to Rabobank for a cash consideration of EUR 852 million and the Bouwfonds Property Finance activities were sold to SNS Bank for a cash consideration of EUR 825 million. The total net gain on the sale of Bouwfonds amounted to EUR 338 million.

During 2006, the Group actively began to market the assets of the national residential mortgage line of business (ABN AMRO Mortgage Group, Inc.), a subsidiary of ABN AMRO LaSalle Bank Midwest. The sale transaction closed on 28 February 2007.

The results of these transactions have been presented as discontinued operations with the comparative figures for 2005 and 2004 re-presented. In addition, the assets and liabilities of the ABN AMRO Mortgage Group, Inc. have been reported as assets of businesses held for sale and liabilities of businesses held for sale in the consolidated balance sheet.

Income statement of discontinued operations:

	2006	2005	2004
Operating income	**934**	881	844
Operating expenses	**525**	595	585
Operating profit before tax	**409**	286	259
Gain on disposal	**327**	–	–
Profit before tax	**736**	286	259
Tax on operating profit	**138**	99	55
Tax arising on disposal	**(11)**	–	–
Profit from discontinued operations			
classified in current period	**609**	187	204
classified in prior period	**–**	–	1,447
Profit from discontinued operations net of tax	**609**	187	1,651

The table below provides a further breakdown of the operating result and gain on disposal of discontinued operations in 2006 by major lines of business. In our segment disclosure note the Bouwfonds results are included in the segment BU Netherlands and ABN AMRO Mortgage Group, Inc. in the BU North America.

	2006	2005	2004
Bouwfonds non-mortgage business			
Operating income	**534**	505	406
Operating expenses	**273**	287	208
Loan impairment and other credit risk provisions	**19**	13	9
Operating profit before tax	**242**	205	189
Gain recognised on disposal	**327**	–	–
Profit from discontinued operations before tax	**569**	205	189
Income tax expense on operating profit	**75**	69	43
Income tax expense on gain on disposal	**(11)**	–	-
Profit from discontinued operations net of tax	**505**	136	146
ABN AMRO Mortgage Group Inc.			
Operating income	**400**	376	438
Operating expenses	**233**	295	368
Operating profit before tax	**167**	81	70
Income tax expense on operating profit	**63**	30	12
Profit from discontinued operations net of tax	**104**	51	58

Earnings per share attributable to the shareholders of the parent company for discontinued operations

(in euros)	**2006**	2005	2004
Basic, from discontinued operations	**0.32**	0.10	0.99
Diluted, from discontinued operations	**0.32**	0.10	0.99

The major classes of assets and liabilities classified as held for sale as at 31 December are as follows:

	2006
Assets	
Cash and balances with central banks	14
Financial assets held for trading	104
Financial investments	132
Loans and receivables – banks	53
Loans and receivables – customers	4,532
Property and equipment	1,012
Goodwill and other intangible assets	2,449
Accrued income and prepaid expenses	62
Other assets	3,492
Assets of businesses held for sale	11,850
Liabilities	
Due to banks	973
Due to customers	2,397
Provisions	22
Accrued expenses and deferred income	71
Other liabilities	244
Liabilities of businesses held for sale	3,707
Net assets directly associated with disposal businesses	8,143

These balances mainly consist of ABN AMRO Mortgage Group, Inc.

46 Related parties

The Group has a related party relationship with associates (see notes 20 and 41), joint ventures (see note 42), pension funds (see note 28) and key management (see note 43).

The Group enters into a number of banking transactions with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and at market rates except for employees, which are offered preferential terms for certain banking products. No allowances for loan losses have been recognised in respect of loans to related parties in 2006 and 2005.

47 First-time adoption of IFRS

The impact of transition from Dutch GAAP to IFRS can be summarised as follows:

Reconciliation of shareholders' equity under Dutch GAAP to IFRS

	1 January 2004	31 December 2004
Shareholders' equity under Dutch GAAP	13,047	14,972
Release of fund for general banking risks **I**	1,143	1,149
Reclassification of preference shares to subordinated liabilities **II**	(813)	(767)
Reversal of property revaluation **III**	(130)	(87)
Reclassification regarding ABN AMRO Banco Real to subordinated liabilities **IV**	(231)	(231)
Transition impacts		
Release of interest equalisation reserve relating to the investment portfolio **V**	1,563	
Derivatives and hedging **VI**	(560)	
Fair value adjustments **VII**	(160)	
Private equity (consolidation and fair valuation) **VIII**	56	
Loan impairment provisioning **IX**	(405)	
Property development **X**	(108)	
Differences at LeasePlan Corporation **XI**	(148)	
Equity accounted investments **XII**	(100)	
Employee benefit obligations **XIII**	(1,475)	
Other **XIV**	(355)	
Total transition impact before taxation	(1,692)	
Taxation impact	(577)	
Total transition items (net of taxation)	(1,115)	(1,115)
Difference in 2004 profit	–	(244)
Impact of gains and losses not recognised in income statement		
Available-for-sale reserve **XV**	489	818
Cash flow hedging reserve **XVI**	(165)	(283)
Dutch GAAP pension booking to equity not applicable under IFRS **XVII**	–	479
Difference in currency translation account movement **XVIII**	–	(40)
Other differences affecting IFRS and Dutch GAAP equity		
Equity settled derivatives on own shares **XIX**	(106)	16
Goodwill capitalisation under IFRS **XX**	–	46
Other **XXI**	–	102
Total impact	(928)	(157)
Total shareholders' equity under IFRS	12,119	14,815

I Release of fund for general banking risks

The fund for general banking risks is considered to be a general reserve and is not permitted under IFRS. The fund balance as at 1 January 2004 was transferred to shareholders' equity.

II Reclassification of preference shares to subordinated liabilities

IFRS requires the reclassification from equity to debt of preference shares (and other instruments, if applicable) if ABN AMRO, the issuer, does not have full discretion regarding payment of dividends and the repayment of the underlying notional.

III Reversal of property revaluation

Under Dutch GAAP, bank premises, including land, were stated at replacement cost and fully depreciated on a straight-line basis over their useful lives with a maximum of 50 years. Value adjustments, net of tax, were credited or charged to a separate component of shareholders' equity called the revaluation reserve. Under IFRS property is stated at historical cost, less any adjustments for impairment, and depreciated on a straight-line basis over their useful lives.

IV Reclassification regarding Banco ABN AMRO Real to subordinated liabilities

As part of the acquisition of Banco Sudameris Brasil S.A a contingent payable that qualified as minority interest under Dutch GAAP was determined to be a liability under IFRS and measured at fair value.

V Release of interest equalisation reserve relating to the investment portfolio

Under Dutch GAAP, bonds and similar debt securities included in the investment portfolios (other than securities on which a large part or all of the interest is settled on redemption) were stated at redemption value less any diminution in value deemed necessary. Net capital gains realised prior to maturity date in connection with replacement operations were recognised as deferred interest income in the interest equalisation reserve and amortised to income over the duration of the investment portfolio.

Under IFRS all bonds and similar debt securities included in the investment portfolio are either classified as held to maturity or available for sale. Unlike under Dutch GAAP realised gains and losses on available for sale securities are recognised directly in income on disposal.

VI Derivatives and hedging

Under Dutch GAAP, derivatives that were used to manage either the overall structural interest rate exposure of the Group or designated to manage the interest exposure within specific assets and liabilities were accounted for on an accrual basis. Therefore, changes in the fair value of the derivatives were not recorded. Under IFRS, all derivatives are recognised as either assets or liabilities and measured at fair value. If the derivative is a hedge and the hedge accounting requirements are met, changes in fair value of a designated derivative that is highly effective as a fair value hedge, together with the change in fair value of the corresponding asset, liability or firm commitment attributable to the hedged risk, are included directly in earnings. Changes in fair value of a designated derivative that is highly effective as a cash flow hedge are included in equity and reclassified into earnings in the same period during which the hedged forecasted cash flow affects earnings. Any ineffectiveness is reflected directly in earnings.

VII Fair value adjustments

Under Dutch GAAP, except for trading positions all financial instruments were carried at cost including non-trading derivatives (see above) and features embedded in non-derivative assets and liabilities that under IFRS are to be recognised as a derivative. Transition to IFRS included valuing a number of non-trading and embedded derivatives and assets and liabilities designated to be measured at fair value under IFRS to a fair value basis. This caption also includes the application of the IFRS fair value measurement guidance.

VIII Private equity (consolidation and fair valuation)

Under Dutch GAAP, private equity investments were held at cost (less impairment where required). Under IFRS, private equity investments that are not controlled are accounted for at fair value with changes reported through income. Private equity investments that are controlled are consolidated

IX Loan impairment provisioning

Under Dutch GAAP, specific provisions against individually significant and not individually significant (portfolio basis) non-performing loans are determined by estimating the future cash flows on an undiscounted basis. Under IFRS, specific loan loss provisions are determined by reference to estimated future cash flows on a discounted basis. This constitutes the predominant part of the determined transition amount.

X Property development
This represented the impact of applying the percentage of completion method to our housing development business at our subsidiary Bouwfonds.

XI Differences at LeasePlan Corporation
Under Dutch GAAP, the majority of the Group's Leasing business was accounted for as a financing arrangement.

Under IFRS, a major part of the Group's leasing business was assessed to be conducted through operating leases. Operating lease accounting under IFRS requires the leased asset to be included within Property and Equipment and to be depreciated, with income booked as a form of rental.

XII Equity accounted investments
This adjustment of EUR 100 million represents the estimated amount resulting from the adoption of IFRS at the key associates (Antonveneta and Capitalia) who at 1 January 2004 had not completed their IFRS conversion project. The actual impact was EUR 130 million. This difference was recorded in 2005 income.

XIII Employee benefit obligations
Under Dutch GAAP, we applied SFAS 87: Employers Accounting for Pensions. Under IFRS, the Group implemented IAS 19 'Employee Benefits'. As permitted under IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group have elected to recognise all cumulative actuarial gains and losses as at 1 January 2004 against shareholders' equity.

XIV Other
The main item included in other transition items relates to loan fees and amounts to EUR 150 million at 1 January 2004. Under IFRS additional non-reimbursable loan fees are deferred over the lifetime of the related facility.

XV Available-for-sale reserve
This represents the impact of fair valuing available for sale debt and equity securities.

XVI Cash flow hedging reserve
This represents the fair value at transition of all derivatives designated in cash flow hedging programmes.

XVII Dutch GAAP pension booking to equity not applicable under IFRS
Under Dutch GAAP, the Group recorded a minimum pension liability as required under SFAS 87, while under IFRS no such requirement exists.

XVIII Difference in currency translation account movement
The currency translation account was reset to zero at 1 January 2004 (the transition date). The difference in currency translation account movements during 2004 relates to differences in the carrying amount of our subsidiaries and associates under IFRS that do not have the euro as their functional currency.

XIX Equity settled derivatives on own shares
This difference is related to written options on own shares, that could be settled in own shares. Under IFRS the notional amounts of the shares are separately reported within equity with an offset reported in other liabilities.

XX Goodwill capitalisation under IFRS
During 2004, goodwill on new acquisitions was capitalised under IFRS but not under Dutch GAAP. The Group applied the business combination exemption as permitted under IFRS 1 thus there was no transition impact for this item.

XXI Other

This includes reversing the impact of dividends on preference shares that were charged through equity under Dutch GAAP in 2004 and through income under IFRS as well as costs incurred on issuances classified as debt under IFRS and equity under Dutch GAAP.

Reconciliation of 2004 net profit under Dutch GAAP to IFRS

	2004
Net profit under Dutch GAAP	4,109
Dividends accrued on preference shares	(43)
Net profit available to shareholders under Dutch GAAP	4,066
Reconciling items:	
Interest equalisation reserve amortisation relating to investment portfolio	(454)
Available-for-sale realisations and other (including hedging)	(19)
Mortgage banking activities **XXII**	(161)
Fair value adjustments	(230)
Derivatives	11
Private equity	129
Employee benefit obligations **XXIII**	89
Employee stock options	(21)
Differences in gain on sale of LeasePlan Corporation and Bank of Asia	224
Redemption costs relating to preference shares classified as interest cost under IFRS **XXIV**	(42)
Loan impairment provisioning	29
Other	(39)
Total impact before taxation	(484)
Tax effect	283
Net profit impact	(201)
Profit attributable to equity holders of the parent company under IFRS	3,865

XXII Mortgage banking activities

Under Dutch GAAP, all mortgage servicing rights were carried at the lower of initial carrying value, adjusted for amortisation, or fair value. Mortgage servicing rights were amortised in proportion to, and over the period of, net estimated servicing income. The carrying amount or book basis of servicing rights includes the unamortised cost of servicing rights, deferred realised gains and losses on derivative hedges and valuation reserves.

Under IFRS the basis for determining the fair value of mortgage servicing rights is consistent with Dutch GAAP. However, under IFRS, the carrying amount of servicing rights does not include deferred gains and losses on derivative hedges realised subsequent to 1 January 2004. Under IFRS, the components of the carrying amount of servicing rights include their unamortised cost and the basis adjustment arising from fair value hedge relationships.

XXIII Employee benefit obligations

Under Dutch GAAP, equity settled share options schemes were recorded based on the intrinsic values at grant date, which in all cases was zero. Under IFRS, equity settled share options and other share schemes are initially assessed at fair value at grant date and charged to income over the vesting period.

XXIV Redemption costs relating to preference shares classified as interest cost under IFRS

The dividends paid on preference shares were recorded as distributions to equity holders under Dutch GAAP. These dividend payments are presented as interest expense under IFRS, consistent with the presentation of these preference shares as liabilities.

48 Subsequent events

ABN AMRO Mortgage Group, Inc.

On 22 January 2007 ABN AMRO announced that it has reached an agreement to sell ABN AMRO Mortgage Group, Inc., its US-based residential mortgage broker origination platform and servicing business, which includes ABN AMRO Mortgage Group, InterFirst and Mortgage.com, to Citigroup. Citigroup will purchase approximately EUR 7.8 billion in net assets, of which approximately EUR 2.1 billion is ABN AMRO Mortgage Group's mortgage servicing rights associated with its EUR 170 billion mortgage servicing portfolio. The sale transaction closed on 28 February 2007.

49 Major subsidiaries and participating interests

(Unless otherwise stated, the bank's interest is 100% or almost 100%, on 14 March 2007. Those major subsidiaries and participating interests that are not 100% consolidated but are accounted for under the equity method (a) or proportionally consolidated (b) are indicated separately).

ABN AMRO Bank N.V., Amsterdam

Netherlands

AAGUS Financial Services Group N.V., Amersfoort (67%)
AA Interfinance B.V., Amsterdam
ABN AMRO Arbo Services B.V., Amsterdam
ABN AMRO Asset Management (Netherlands) B.V., Amsterdam
ABN AMRO Effecten Compagnie B.V., Amsterdam
ABN AMRO Hypotheken Groep B.V., Amersfoort
ABN AMRO Mellon Global Securities Services B.V., Amsterdam (50%) (b)
ABN AMRO Participaties B.V., Amsterdam
ABN AMRO Projectontwikkeling B.V., Amersfoort
ABN AMRO Ventures B.V., Amsterdam
Altajo B.V., Amsterdam (50%) (b)
Amstel Lease Maatschappij N.V., Utrecht
Delta Lloyd ABN AMRO Verzekeringen Holding B.V., Zwolle (49%) (a)
Hollandsche Bank-Unie N.V., Rotterdam
IFN Group B.V., Rotterdam
Solveon Incasso B.V., Utrecht
Stater N.V., Hoevelaken

Outside the Netherlands

Europe

ABN AMRO Asset Management Holdings Ltd., London
ABN AMRO Asset Management Ltd., London
ABN AMRO Asset Management (Deutschland) GmbH, Frankfurt am Main
ABN AMRO Asset Management Fondsmaeglerselskab AS, Copenhagen
ABN AMRO Asset Management (Schweiz) A.G., Zurich
ABN AMRO Bank (Deutschland) AG, Frankfurt am Main
ABN AMRO Bank (Luxembourg) S.A., Luxembourg
ABN AMRO Bank (Polska) S.A., Warsaw
ABN AMRO Bank (Romania) S.A., Bucharest
ABN AMRO Bank (Schweiz) A.G., Zurich
ABN AMRO Bank ZAO, Moscow
ABN AMRO Capital Ltd., London

ABN AMRO Corporate Finance Ltd., London
ABN AMRO Förvaltning ASA, Oslo
ABN AMRO France S.A., Paris
  Banque Neuflize OBC, Paris
ABN AMRO Fund Managers (Ireland) Ltd., Dublin
ABN AMRO Infrastructure Capital Management Limited, London
ABN AMRO International Financial Services Company, Dublin
ABN AMRO Investment Funds S.A., Luxembourg
ABN AMRO Kapitalförvaltning AB, Helsinki
Alfred Berg Holding AB, Stockholm
Alfred Berg Asset Management AB, Stockholm
Antonveneta ABN AMRO Società di Gestione del Risparmio SpA, Milan
  (45% ABN AMRO Bank N.V.; 55% Banca Antonveneta Group) (a)
Artemis Investment Management Ltd., Edinburgh (69%)
Aspis International Mutual Funds Management S.A., Athens (45%) (a)
Banca Antonveneta SpA, Padova
Capitalia SpA, Roma (8.6%) (a)
CM Capital Markets Holding S.A., Madrid (45%) (a)
Delbrück Bethmann Maffei AG, Frankfurt am Main
Hoare Govett Ltd., London

North America

ABN AMRO Asset Management Canada Ltd, Toronto
ABN AMRO Capital Markets Canada Ltd., Toronto
ABN AMRO Bank (Mexico) S.A., Mexico City
ABN AMRO North America Holding Company, Chicago (holding company, voting right 100%, equity participation 92%)
  LaSalle Bank Corporation, Chicago
    LaSalle Bank N.A., Chicago
      LaSalle Financial Services, Inc., Chicago
      LaSalle National Leasing Corporation, Chicago
        LaSalle Business Credit, LLC., Chicago
    LaSalle Bank Midwest N.A., Troy
      ABN AMRO Mortgage Group, Inc., Chicago
    ABN AMRO Advisory, Inc., Chicago (81%)
    ABN AMRO Capital (USA) Inc., Chicago
    ABN AMRO Incorporated, Chicago
      ABN AMRO Rothschild LLC, New York (50%) (b)
ABN AMRO Asset Management Holdings, Inc., Chicago
    ABN AMRO Asset Management Inc., Chicago
    ABN AMRO Investment Fund Services, Inc, Chicago
    Montag & Caldwell, Inc., Atlanta

Middle East

Saudi Hollandi Bank, Riyadh (40%) (a)

Rest of Asia

ABN AMRO Asia Ltd., Hong Kong
ABN AMRO Asia Corporate Finance Ltd., Hong Kong
ABN AMRO 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 (Singapore) Ltd., Singapore

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., Manila
ABN AMRO Central Enterprise Services Private Ltd., Mumbai
ABN AMRO Securities (India) Private Ltd., Mumbai (75%)
ABN AMRO Securities Investment Consultant Co. Ltd., Taipei
ABN AMRO Securities (Japan) Ltd., Tokyo
PT ABN AMRO Finance Indonesia, Jakarta (70%)
PT ABN AMRO Manajemen Investasi Indonesia, Jakarta (96%)

Australia

ABN AMRO Asset Management (Australia) Ltd., Sydney
ABN AMRO Australia Ltd., Sydney
  ABN AMRO Asset Securitisation Australia Pty Ltd., Sydney
  ABN AMRO Corporate Finance Australia Ltd., Sydney
  ABN AMRO Equities Australia Ltd., Sydney
ABN AMRO Capital Management (Australia) Pty Limited, Sydney
ABN AMRO Equities Capital Markets Australia Ltd., Sydney
ABN AMRO Investments Australia Ltd., Sydney
ABNED Nominees Pty Ltd., Sydney

New Zealand

ABN AMRO Equity Derivatives New Zealand Limited, Auckland
ABN AMRO New Zealand Ltd., Auckland
ABN AMRO Securities NZ Ltd., Auckland

Latin America

ABN AMRO Asset Management DVTM S.A., Sao Paulo
ABN AMRO Bank (Chile) S.A., Santiago de Chile
ABN AMRO Bank (Colombia) S.A., Bogota
ABN AMRO Brasil Participaçôes Financeiras S.A., Sao Paulo
ABN AMRO Brasil Dois Participaçôes S.A., São Paulo
  Banco ABN AMRO Real S.A., Sao Paulo (96.65%)
  Banco de Pernambuco S.A., BANDERE, Recife
  Banco Sudameris Brasil S.A., Sao Paulo (94.58%)
  Real Tokio Marine Vida e Previdência S.A., (50%) (b)
ABN AMRO (Chile) Seguros Generales S.A., Santiago de Chile
ABN AMRO (Chile) Seguros de Vida S.A., Santiago de Chile
Real Paraguaya de Seguros S.A., Asuncion
Real Uruguaya de Seguros S.A., Montevideo

The list of participating interests under which statements of liability have been issued has been filed at the Amsterdam Chamber of Commerce.

Company financial statements ABN AMRO Holding N.V. (Parent Company) 2006

Accounting policies

The company financial statements of ABN AMRO Holding N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied in the company financial statements are the same as those applied in the consolidated financial statements. Participating interests in Group companies are valued at net asset value determined on the basis of IFRS as adopted by the European Union. Reference is made to page 134.

Participating interests in Group companies

ABN AMRO Holding N.V. has one participation and is the sole shareholder of ABN AMRO Bank N.V, Amsterdam.

Basis of preparation

The financial statements are presented in euros, which is the presentation currency of the company, rounded to the nearest million (unless otherwise noted).

Company income statement for the year ended 31 December

(in millions of euros)	**2006**	2005	2004
Profits of participating interests after taxes	**4,681**	4,398	3,948
Other profits after taxes	**34**	(16)	(83)
Net profit	**4,715**	4,382	3.865

Company balance sheet at 31 December

(in millions of euros)	**2006**	2005
Assets		
Financial investments **a**	**20**	20
Loans and receivables – banks **b**	**2,487**	3,685
Participating interests in group companies **c**	**21,939**	19,332
Accrued income and prepaid expenses **d**	**4**	4
Total assets	**24,450**	23,041
Liabilities		
Due to customers	**20**	20
Other liabilities **e**	**65**	32
Total liabilities (excluding subordinated liabilities)	**85**	52
Subordinated liabilities **f**	**768**	768
Total liabilities	**853**	820
Equity		
Share capital	**1,085**	1,069
Share premium	**5,245**	5,269
Treasury shares	**(1,829)**	(600)
Retained earnings	**18,599**	15,237
Net gains / (losses) not recognised in the income statement	**497**	1,246
Shareholders' equity **g**	**23,597**	22,221
Total equity and liabilities	**24,450**	23,041

Drawn up in accordance with section 2:402 of the Netherlands Civil Code.
Letters stated against items refer to the notes. The notes to the company balance sheet are an integral part of these financial statements.

Company statement of changes in equity for the year ended 31 December

(in millions of euros)	**2006**	2005	2004
Issued and paid up share capital			
Balance at 1 January	**1,069**	954	919
Issuance of shares	**–**	82	–
Exercised options and warrants	**16**	–	2
Dividends paid in shares	**–**	33	33
Balance at 31 December	**1,085**	1,069	954
Share premium			
Balance at 1 January	**5,269**	2,604	2,549
Issuance of shares	**–**	2,611	–
Options and conversion rights exercised	**–**	–	48
Share-based payments	**111**	87	40
Dividends paid in shares	**(135)**	(33)	(33)
Balance at 31 December	**5,245**	5,269	2,604
Treasury shares			
Balance at 1 January	**(600)**	(632)	(119)
Share buy-back	**(2,204)**	32	(513)
Utilised for dividends paid in shares	**832**	–	–
Utilised for exercise of options and performance share plans	**143**	–	–
Balance at 31 December	**(1,829)**	(600)	(632)
Retained earnings			
Balance at 1 January	**15,237**	11,580	8,469
Profit attributable to shareholders of the parent company	**4,715**	4,382	3,865
Cash dividends paid to shareholders of the parent company	**(807)**	(659)	(694)
Dividends paid in shares to shareholders of the parent company	**(656)**	–	–
Other	**110**	(66)	(60)
Balance at 31 December	**18,599**	15,237	11,580
Equity settled own share derivatives			
Balance at 1 January	**–**	–	(106)
Change in market value and settlements	**–**	–	106
Balance at 31 December	**–**	–	–
Net gains/(losses) not recognised in the income statement			
Currency translation account			
Balance at 1 January	**842**	(238)	–
Transfer to income statement relating to disposals	**(7)**	(20)	2
Currency translation differences	**(427)**	1,100	(240)
Subtotal – Balance at 31 December	**408**	842	(238)
Net unrealised gains/(losses) on available-for-sale assets			
Balance at 1 January	**1,199**	830	572
Net unrealised gains/(losses) on available-for-sale assets	**(233)**	717	509
Net losses/(gains) reclassified to the income statement	**(602)**	(348)	(251)
Subtotal – Balance at 31 December	**364**	1,199	830
Cash flow hedging reserve			
Balance at 1 January	**(795)**	(283)	(165)
Net unrealised gains/(losses) on cash flow hedges	**735**	(386)	106
Net losses / (gains) reclassified to the income statement	**(215)**	(126)	(224)
Subtotal – Balance at 31 December	**(275)**	(795)	(283)
Net gains / (losses) not recognised in the income statement at 31 December	**497**	1,246	309
Total shareholders' equity at 31 December	**23,597**	22,221	14,815

The notes to the company statement of changes in equity are an integral part of the financial statements.

Notes to the company financial statements

(all amounts are in millions of euros)

a Financial investments

The amount included in this item represents commercial paper.

(in millions of euros)	**2006**	2005
Balance at 1 January	**20**	10
Purchases	**108**	89
Sales	**(108)**	(79)
Balance at 31 December	**20**	20

b Loans and receivables – banks

This item includes loans and deposits to and other interbank relations with Group companies. The maturity of these loans and receivables is less than one year.

c Participating interests in Group companies

Dividends due from ABN AMRO Bank N.V. to ABN AMRO Holding N.V. amounted to EUR 2,211 million (2005: EUR 1,520 million).

(in millions of euros)	**2006**	2005
Balance at 1 January	**19,332**	15,843
Net profit for the year	**4,681**	4,398
Dividends received	**(1,520)**	(1,751)
Currency translation differences	**(433)**	1,080
Other movements	**(121)**	(238)
Balance at 31 December	**21,939**	19,332

d Accrued income and prepaid expenses

This item includes income and expenses recognised in the period under review, the actual receipt or payment of which falls in a different period.

e Other liabilities

This item includes amongst others income taxes payable amounting to EUR 29 million and an accrual for payments on preference shares.

f Subordinated liabilities

In 2004, as part of our revised corporate governance processes, the registered preference shares outstanding at the end of 2003 with a defence function were cancelled and new registered convertible financing preference shares were issued that perform no defence function. During 2005 and 2006 the number of outstanding convertible financing preference shares (face value EUR 0.56) remained unchanged at 1,369,815,864. Also remained unchanged was the number of outstanding (formerly convertible) preference shares (face value EUR 2.24) at 44,988. The dividend on the financing preference shares has been fixed with effect from 1 October 2004 at 4.65% of the face value. This percentage will be adjusted on 1 January 2011 in the manner stipulated in the articles of association.

Dividends on the financing (formerly convertible) preference shares rank above ordinary dividends for distribution and in the event of liquidation. The dividend on these preference shares, which were convertible until 31 October 2003, has been fixed at 1 January 2004 at EUR 0.95 per share per annum until the end of 2013.

g Shareholders' equity

Shareholders' equity

(in millions of euros)	**2006**	2005
Share capital	**1,085**	1,069
Reserves	**22,512**	21,152
Total	**23,597**	22,221

Share capital

	2006	2005
Movements in number of issued ordinary shares		
Balance at 1 January	**1,909,738,427**	1,702,888,861
New issue	**–**	145,278,482
Dividends paid in shares	**27,109,089**	61,571,084
Balance at 31 December	**1,936,847,516**	1,909,738,427

	2006	2005
Movements in number of treasury shares		
Balance at 1 January	**31,818,402**	33,686,644
Used for options exercised and performance share plans	**(8,454,965)**	(1,868,242)
Share buy-back	**95,899,360**	–
Dividends paid in shares	**(36,202,072)**	–
Balance at 31 December	**83,060,725**	31,818,402

Reserves

(in millions of euros)	2006	2005
Movements in reserves		
Share premium account	**5,245**	5,269
Non distributable reserve shares	**10**	10
Non distributable profit participations	**491**	542
Currency translation differences reserve	**408**	842
Cash flow hedge reserve	**(275)**	(795)
Available for sale assets reserve	**364**	1,199
Unrealised gains on financial instruments elected to fair value	**222**	381
Other reserves	**16,047**	13,704
Total reserves	**22,512**	21,152

The share premium account is mainly regarded as paid-up capital for tax purposes. Of total reserves EUR 1,548 million (2005: EUR 3,104 million) is not distributable.

Guarantees

ABN AMRO Holding N.V. guarantees all liabilities of ABN AMRO Bank N.V.

Remuneration Managing Board

Reference is made to note 43 of the consolidated financial statements.

Amsterdam, 14 March 2007

Supervisory Board

Arthur Martinez (Chairman)
André Olijslager (Vice Chairman)
Louise Groenman
David Baron de Rothschild
Trude Maas-de Brouwer
Marcus Pratini de Moraes
Paolo Scaroni
Lord Sharman of Redlynch
Rob van den Bergh
Anthony Ruys
Gert-Jan Kramer
Gerhard Randa

Managing Board

Rijkman Groenink
Wilco Jiskoot
Joost Kuiper
Hugh Scott-Barrett
Huibert Boumeester
Piero Overmars
Ron Teerlink

OTHER INFORMATION

OTHER INFOR-MATION

To the Supervisory Board and the Managing Board of ABN AMRO Holding N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of ABN AMRO Holding N.V., Amsterdam (as set out on pages 131 to 248). The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006, the company income statement and statement of changes in equity for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, with International Financial Reporting Standards and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the other sections of the Annual Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ABN AMRO Holding N.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, with International Financial Reporting Standards and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of ABN AMRO Holding N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 14 March 2007

for Ernst & Young Accountants

sgd C. B. Boogaart

Stipulations of the articles of association with respect to profit appropriation

Profit is appropriated in accordance with article 37 of the articles of association. The main stipulations with respect to classes and series of shares currently in issue are as follows:

1 The holders of preference financing shares convertible into ordinary shares (preference shares) issued pursuant to the resolution passed by the extraordinary meeting of shareholders on 25 August 2004 will receive a dividend of EUR 0.02604 per share, representing 4.65% of the face value. As from 1 January 2011, and every ten years thereafter, the dividend percentage on the preference shares will be adjusted in line with the arithmetical average of the ten-year euro-denominated interest rate swap as published by Reuters on the relevant dividend calculation dates, plus an increment to be set by the Managing Board with the approval of the Supervisory Board. This increment will be of no less than 25 basis points and no more than one hundred basis points, depending on the market situation at that time (article 37.2.a.1. and a.2.).

The holders of preference shares that were formerly convertible into ordinary shares (convertible shares) will receive a dividend of EUR 0.95 per share, representing 3.3231% of the amount paid on each share as of 1 January 2004. As from 1 January 2014, and every ten years thereafter, the dividend on the convertible shares will be adjusted in the manner described in the articles of association (article 37.2.a.4.).

No profit distributions will be made to holders of preference shares or convertible shares in excess of the maximum levels defined above (article 37.2.a.6.).

2 From the profit remaining after these distributions, the Managing Board may decide to make appropriations to reserves, subject to the approval of the Supervisory Board (article 37.2.b.).

3 The allocation of the amount remaining after these appropriations shall be determined by the General Meeting of Shareholders. The Managing Board, subject to the approval of the Supervisory Board, shall make a proposal to that effect. A proposal to pay a dividend shall be dealt with as a separate item at the General Meeting of Shareholders (article 37.2.b.).

ABN AMRO Holding N.V.'s policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Managing Board. The adoption of and each subsequent amendment to the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item (article 37.2.c.).

Notwithstanding the provisions of article 37.2.a.1 and a.2 referred to under 1 above, after 1 January 2011 the Managing Board may, with the approval of the Supervisory Board, resolve not to pay the dividend on the relevant Preference Shares in cash out of the profit, or to pay the dividend on the relevant preference shares out of a freely distributable reserve. In such cases the part of the profit not paid out shall be added to the general reserve. The Managing Board may only pass such a resolution if no dividend is to be paid on the ordinary shares in the relevant year, in accordance with the provisions of article 37.2.c. Subject to approval of the Supervisory Board, the

Managing Board can make the dividend or interim dividend on the ordinary shares payable, at the discretion of the holders, either in cash or, provided it is authorised to issue shares, partly or wholly in the form of ordinary or preference shares in the company's capital or in a combination thereof, such combination to be determined by the Managing Board (article 37.3.).

Stipulations of the articles of association of Holding and trust office with respect to shares and voting rights

Each ordinary share of EUR 0.56 face value in the capital of ABN AMRO Holding N.V. entitles the holder to cast one vote. The preference shares have the same face value as the ordinary shares, at EUR 0.56 each. Each preference share is entitled to one vote. The convertible shares in the capital have a face value of EUR 2.24 and are entitled to four votes. Subject to certain exceptions provided for by law or in the articles of association, resolutions are passed by an absolute majority of the votes cast.

All of the preference shares are held at the trust office 'Stichting Administratiekantoor Preferente Financieringsaandelen ABN AMRO Holding' (the Trust Office), which acts as record owner, issuing depositary receipts evidencing ownership interests in preference shares to their beneficial owners.

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

Subject to certain exceptions, upon the issuance of ordinary shares and convertible shares, holders of ordinary shares have preemptive rights in proportion to their holdings.

In the event of the dissolution and liquidation of ABN AMRO Holding N.V., the assets remaining after payment of all debts will be distributed (1) first, to the holders of preference shares and convertible shares on a pro rata basis, in an amount equal to all dividends accrued from the beginning of the most recent full financial year through the date of payment plus the face value of the preference shares or the amount paid in on the convertible shares respectively, and (2) second, to the holders of ordinary shares on a pro-rata basis.

Proposed profit appropriation

Appropriation of net profit pursuant to article 37.2 and 37.3 of the articles of association

(in millions of euros)	**2006**	2005
Addition to reserves	**2,562**	2,332
Dividends on ordinary shares	**2,153**	2,050
	4,715	4,382
Dividends on preference shares	**36**	36

Subsequent events

Prime Bank

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

ABN AMRO Holding N.V.

Organisation of ABN AMRO Holding N.V. and ABN AMRO Bank N.V.

Supervisory Board

At 14 March 2007, the composition of the Supervisory Board of ABN AMRO Holding N.V. and ABN AMRO Bank N.V. was as follows:

		Principal occupation	Other relevant positions
Supervisory Board			
Arthur Martinez **1, 2, 3** (67, American, M) *Chairman*	2002 **4** 2010 **5**	Former Chairman and Chief Executive Officer of Sears, Roebuck & Co. Inc.	• Non-Executive Director of International Flavors and Fragrances, Inc. • Non-Executive Director of Liz Claiborne, Inc. • Non-Executive Director of PepsiCo, Inc. • Non-Executive Director of IAC/Interactive Corp. • Member of the Board of Advisors of Marakon Associates
André Olijslager **1** (63, Dutch, M) *Vice Chairman*	2004 **4** 2008 **5**	Former Chairman of the Board of Management of Royal Friesland Foods N.V.	• Vice-Chairman of the Supervisory Board of Avebe U.A. • Member of the Supervisory Board of Center Parcs N.V. • Member of the Supervisory Board of Samas-Groep N.V. • Member of the Investment Committee of NPM Capital N.V. • Member of the Management Board of Foundation N.V. Trust Office Unilever • Chairman of the Dutch Association of Venture Capital Companies
Louise Groenman (66, Dutch, F)	1999 **4** 2007 **5**	Former Crown Member of the Social and Economic Council of the Netherlands (SER)	• Chairman of the LBL (Expertice Centre for Age and Society) • Chairman of the Aids Fund Foundation • Chairman of the Clara Wichmann Institute • Chairman of the Humanistic Institute for Development Aid • Member of the Advisory Council Country-wide Office for Age Discrimination

Age, nationality and gender between brackets.

1 *Member of the Audit Committee*
2 *Member of the Nomination & Compensation Committee*
3 *Member of the Compliance Oversight Committee*
4 *Year of appointment*
5 *Current term expires*

		Principal occupation	Other relevant positions
Supervisory Board *continued*			
David Baron de Rothschild (64, French, M)	1999 **4** 2007 **5**	Senior Partner of Rothschild & Cie. Banque	• Chairman of Rothschilds Continuation Holdings AG • Chairman of Rothschild Group • Vice-Chairman of Rothschild Bank AG • Vice-Chairman of the Supervisory Board of Paris Orléans • Member of the Supervisory Board of Compagnie Financière Saint-Honoré • Member of the Supervisory Board of Compagnie Financière Martin Maurel • Member of the Board of Directors of Group Casino
Trude Maas-de Brouwer **2, 3** (60, Dutch, F)	2000 **4** 2008 **5**	Former President of Hay Vision Society	• Member of the Supervisory Board of Schiphol Group • Member of the Supervisory Board of Royal Philips Electronics Netherlands (PEN) • Member of the Supervisory Board of Arbo Unie • Member of the Supervisory Board of Twynstra Gudde Management Consultants B.V. • Chairman of the Supervisory Board of Nuffic (Netherlands organisation for international cooperation in higher education) • Member of the Governing Council of Van Leer Group Foundation • Member of the Senate of the Dutch Parliament
Marcus Pratini de Moraes **1** (67, Brazilian, M)	2003 **4** 2009 **5**	Former Minister of Agriculture, Livestock and Food Supply for Brazil	• Member of the Board of Directors of COSAN S.A. – sugar and alcohol • Chairman of the Board of ABIEC (Brazilian Beef Export Industries Association) • Member of the Board of FIESP (Federation of Industries of São Paulo)

Age, nationality and gender between brackets.

1 *Member of the Audit Committee*
2 *Member of the Nomination & Compensation Committee*
3 *Member of the Compliance Oversight Committee*
4 *Year of appointment*
5 *Current term expires*

		Principal occupation	Other relevant positions
Supervisory Board *continued*			
Paolo Scaroni (60, Italian, M)	2003 **4** 2007 **5**	Chief Executive Officer of ENI S.p.A.	• Member of the Board of 'Il Sole 24 Ore' Group • Member of the Board of Veolia Environment • Member of the Board of Teatro alla Scala • Member of the Supervisory Board of Overseers, Columbia Business School, New York
Lord Sharman of Redlynch **1** (64, British, M)	2003 **4** 2007 **5**	Former Chairman of KPMG International	• Chairman of Aviva plc • Non-Executive Chairman of Aegis plc • Non-Executive Director of BG Group plc • Non-Executive Director of Reed Elsevier plc and Reed Elsevier N.V. • Member of the House of Lords
Rob van den Bergh **3** (56, Dutch, M)	2005 **4** 2009 **5**	Former Chairman of the Executive Board and Chief Executive Officer of VNU N.V.	• Chairman of the Supervisory Board of N.V. Deli Universal • Member of the Supervisory Board of Pon Holdings B.V. • Member of the Supervisory Board of NPM Capital N.V. • Member of the Supervisory Board of Nationale Postcode Loterij
Anthony Ruys **2** (59, Dutch, M)	2005 **4** 2009 **5**	Former Chairman of the Executive Board of Heineken N.V	• Chairman of the Supervisory Board of Lottomatica S.p.A. • Member of the Supervisory Board of Sara Lee / DE International B.V. • Non-Executive Director of British American Tobacco • Member of the Supervisory Board of Schiphol Group • Chairman of the Supervisory Board of Rijksmuseum Amsterdam • Chairman of the Supervisory Board of Stop Aids Now!

Age, nationality and gender between brackets.

1 *Member of the Audit Committee*
2 *Member of the Nomination & Compensation Committee*
3 *Member of the Compliance Oversight Committee*
4 *Year of appointment*
5 *Current term expires*

		Principal occupation	Other relevant positions
Supervisory Board *continued*			
Gert-Jan Kramer (64, Dutch, M)	2006 **4** 2010 **5**	Former Chairman of Fugro N.V.	• Chairman of the Supervisory Board of Royal BAM Group N.V. • Chairman of the Supervisory Board of Damen Shipyards Group • Member of the Supervisory Board of Fugro N.V. • Member of the Supervisory Board of Mammoet B.V. • Member of the Supervisory Board of Bronwaterleiding Doorn • Member of the Supervisory Board of Energie Beheer Nederland B.V. • Chairman of the Supervisory Board of Delft University of Technology • Member of the Supervisory Board of TNO (Netherlands Organisation for Applied Scientific Research • Chairman of IRO (Association of Dutch Suppliers in the Oil and Gas Industry)
Gerhard Randa (62, Austrian, M)	2006 **4** 2010 **5**	Executive Vice President of Magna International Inc.	• Member of the General Council of the Österreichische Nationalbank • Chairman of the Board of B&C Privatstiftung • Chairman of the Board of Immobilien Privatstiftung

Age, nationality and gender between brackets.

1 *Member of the Audit Committee*
2 *Member of the Nomination & Compensation Committee*
3 *Member of the Compliance Oversight Committee*
4 *Year of appointment*
5 *Current term expires*

Managing Board

At 14 March 2007, the composition of the Managing Board of ABN AMRO Holding N.V. and ABN AMRO Bank N.V. was as follows:

	Term expires	Principal responsibilities 2007	Principal responsibilities 2006
Managing Board 1			
Rijkman Groenink (57, Dutch, M)	1988 2 2012 3	Chairman of the Managing Board, Group Audit, Group Compliance & Legal, Group Human Resources	Chairman of the Managing Board
Wilco Jiskoot (56, Dutch, M)	1997 2 2013 3	BU Netherlands, BU Private Clients, BU Global Clients, BU Asset Management, Private Equity	BU Netherlands, BU Global Clients, BU Asset Management, Private Equity
Joost Kuiper (59, Dutch, M)	1999 2 2010 3	BU North America, Chairman Group Business Committee	BU North America, Chairman Group Business Committee
Hugh Scott-Barrett (48, British, M)	2000 2 2021 3	Chief Financial Officer, Group Finance, Investor Relations, Group Communications, Group Public Affairs, Group Strategic Decision Support	Chief Financial Officer, Group Finance, Investor Relations, Group Communications, Group Strategic Decision Support
Huibert Boumeester (47, Dutch, M)	2006 2 2010 3, 4	Group Risk Management, Corporate Development, Group M&A portfolio, Antonveneta	Group Risk Management, Corporate Development, Group M&A Portfolio
Piero Overmars (42, Dutch, M)	2006 2 2010 3, 4	BU Asia, BU Europe, BU Global Markets, Chairman Commercial Client Segment	BU Asia, BU Global Markets, Chairman Commercial Clients Segment
Ron Teerlink (46, Dutch, M)	2006 2 2010 3, 4	BU Latin America, BU Transaction Banking, Services, Market Infrastructures, Chairman Consumer Client Segment	BU Latin America, BU Transaction Banking, Services, EU Affairs & Market Infrastructure

Age, nationality and gender between brackets

1 *Managing Board members are appointed until reaching the contractually agreed mandatory retirement age of 62, unless otherwise indicated.*
2 *Year of appointment*
3 *Term expires*
4 *In line with the Dutch Corporate Governance Code's best practice provision, Mr Boumeester, Mr Overmars and Mr Teerlink have been appointed for a maximum period of four years and may be reappointed for a term of not more than four year at a time.*

Curriculum vitae – Managing Board members (as at 14 March 2007)

Rijkman Groenink was appointed Chairman of the Managing Board in May 2000. He is responsible for the strategy of ABN AMRO as well as for Group Audit, Group Legal & Compliance and Human Resources.

A Dutch citizen, Mr Groenink was born on 25 August 1949 and joined Amro Bank in 1974. He was appointed Head of Product Management Retail Accounts in 1976, Head of Syndicated Loans in 1978, Head of International Corporate Accounts in the International Division in 1980, Director of the Dutch Special Credit department in 1982 and Senior Executive Vice President of Dutch Corporate Business in 1986. He was appointed to the Managing Board of Amro Bank in 1988. Following the merger of ABN Bank and Amro Bank in 1990 he was appointed to the Managing Board of ABN AMRO Bank, and became responsible for the Netherlands Division in 1995. He holds a number of external directorships including Flint Holding, Struik Holding and several charitable societies and foundations. Mr Groenink's educational credentials include a Masters degree in Law from Utrecht University, the Netherlands.

Wilco Jiskoot is the Managing Board member responsible for BU Netherlands, BU Global Clients, BU Private Clients, BU Asset Management, and Private Equity (ABN AMRO Capital). He joined the Managing Board in January 1997, with responsibility for several investment banking product lines. From November 2001 to January 2006, he was the Managing Board member responsible for SBU Wholesale Clients and Private Equity.

Mr Jiskoot was born on 2 June 1950 and is a Dutch citizen. He joined Amro Bank in 1976 and held several positions during the following ten years in Corporate Clients, Project Finance and Relationship Management. He was appointed head of Capital Markets Group in 1986, head of Institutional Banking Division in 1987 and Senior Executive Vice President of Financial Markets Group in 1988. After the merger of ABN Bank and Amro Bank in 1990, he was appointed Senior Executive Vice President of New Issues and Corporate Finance, and was named Senior Executive Vice President Equity and Merchant Banking in 1994. Mr Jiskoot holds no directorships or positions outside ABN AMRO. He has a Masters degree in Business Administration from Rotterdam University, the Netherlands.

Joost Kuiper is the Managing Board member responsible for BU North America and is Chairman of the Group Business Committee (GBC). He was previously responsible for the BUs Netherlands and North America within the SBU Consumer & Commercial Clients, a position he held from November 2003 until January 2006. He shared responsibility for Consumer & Commercial Clients with Dolf Collee from 2000, having joined the Managing Board in May 1999 with responsibility for the International Division.

Mr Kuiper, a Dutch citizen, was born on 23 July 1947. He joined ABN AMRO in 1998 as a Senior Executive Vice President in Treasury and Fixed Income, having previously held several senior positions in Dutch financial institutions, including Chairman of MeesPierson (1996-98) and President of the European Options Exchange (1993-96). Having started his career in 1973 in the new Issue and Syndicate department of Amro Bank, he left in 1976 to work at Banque Européenne de Crédit in Brussels and Sogen-Swiss International in New York, before rejoining Amro Bank, first in New York and later in London and the Netherlands. His principal outside directorships include Hespri Holding and several charitable societies and foundations. Mr Kuiper holds a Masters degree in Law from Leiden University, the Netherlands.

Hugh Scott-Barrett has been Chief Financial Officer since 1 January 2006. He is also responsible for Group Finance, Investor Relations, Group Communications, Group Public Affairs and Group Strategic Decision Support. From November 2003 to January 2006, he was Chief Operating Officer responsible for Group Shared Services, Transaction Banking, Group Human

Resources, Group Communications and Investor Relations. He also launched a Group-wide Services programme focused on improving service quality, efficiency and agility while reducing operational risk across the Group. He was previously one of the two Managing Board members responsible for the SBU Wholesale Clients. He was additionally responsible for the BUs Corporate Finance (including the ABN AMRO Rothschild joint venture), Working Capital, Change Management, and Technology Operations & Property Services within that SBU. He was appointed to the Managing Board in June 2000.

Mr Scott-Barrett was born on 26 September 1958 and is a British citizen. He joined ABN AMRO in 1996 as Head of Corporate Finance in Europe before becoming Global Head of Mergers & Acquisitions. He started his career in 1980 in the Corporate Finance Department at Kleinwort Benson. In 1984 he joined Swiss Bank Corporation (SBC), becoming Deputy Chief Executive of SBC's European activities in 1994 and subsequently Managing Director Corporate Finance of SBC Warburg. Mr Scott-Barrett holds no directorships outside ABN AMRO. He was educated at the Université de Paris, Sorbonne, France, and Merton College, Oxford, UK.

Huibert Boumeester is the Managing Board member responsible for Corporate Development, Group M&A Portfolio, Group Risk Management and Antonveneta. He was appointed to the Managing Board in January 2006, having previously been Chief Executive of ABN AMRO Asset Management.

Mr Boumeester was born on 16 March 1960 and is a Dutch citizen. He joined ABN Bank in 1987 as a management trainee in Investment Banking. He subsequently became head of the Energy Desk Europe, head of Power Project Finance Europe, head of Project Finance Asia in Hong Kong, and head of Structured Finance Asia, based in Singapore, where he was responsible for Project Finance, Structured Trade Finance, Financial Engineering, Loan Syndication, Asset Securitisation and Project Advisory. From 1998 to 2000 he was Country Manager for ABN AMRO Malaysia Berhad. In 2000 he became Managing Director Global Financial Markets, with responsibility for Leveraged Finance, Emerging Markets Debt Origination and Asset Securitisation. In May 2002 he was appointed global head of Integrated Energy. Directorships within ABN AMRO include Montag & Caldwell Inc. and Artemis Investment Management Ltd. He holds directorships outside ABN AMRO at three charities. Mr Boumeester holds a Masters degree in Law from Leiden University, the Netherlands.

Piero Overmars is the Managing Board member responsible for BU Asia, BU Europe and BU Global Markets and is also Chairman of the Commercial Client Segment. He was appointed to the Managing Board in January 2006.

Mr Overmars was born on 22 April 1964 and is a Dutch citizen. In 1989 he joined ABN Bank as a derivatives dealer and in 1996 was appointed Chief Dealer Cross Market Arbitrage, Bond Trading Europe. In 1997 he was named co-head Global Interest Rate Trading based in Amsterdam, and regional head Treasury & Fixed Income Asia, Singapore from 1999. In 2001 he became Country Representative and head of Financial Markets Japan, before being appointed head of Global Financial Markets based in Amsterdam in 2002 and head of Global Markets in 2004. He was named Chief Executive Officer of Wholesale Clients in 2005. Directorships within ABN AMRO include ABN AMRO Japan. Outside ABN AMRO he holds a directorship of a charitable foundation. Mr Overmars holds a Masters degree in Business Administration from Nyenrode Business University, Breukelen, the Netherlands.

Ron Teerlink is the Managing Board member responsible for BU Latin America, BU Transaction Banking, Services and Market Infrastructures and is also Chairman of the Consumer Client Segment. He was appointed to the Managing Board in January 2006.

Mr Teerlink was born on 28 January 1961 and is a Dutch citizen. He joined ABN Bank in 1986 as an IT/System Analyst, and was appointed head project and Development ASI in 1992, International/Director Administration and Organisation in Cologne in 1994, and Director Administration and Organisation in Frankfurt in 1995. He has been responsible for the International Organisation and Information division in Amsterdam since 1999 and for the Operations Europe division since 2000. He was named Managing Director, Wholesale Clients/Operations Europe in 2001 and Senior Executive Vice President in 2002, before becoming Chief Operating Officer Wholesale Clients in 2002 and Chief Executive of Group Shared Services in 2004. His directorships within ABN AMRO include ABN AMRO Central Enterprise Services – India. Directorships outside ABN AMRO include Equens Nederland. Mr Teerlink holds a Masters degree in Economics from the Vrije Universiteit, Amsterdam, the Netherlands.

Tom de Swaan retired from the Managing Board on 1 May 2006.

Dolf Collee stepped down from the Managing Board on 31 December 2006.

Situation as at 14 March 2007

Company Secretary

Willem Nagtglas Versteeg

Advisory Council

J. Aalberts
President and CEO of Aalberts Industries N.V.

S.H.M. Brenninkmeijer
Chairman of the Managing Board of COFRA Holding AG

A. Nühn
Chairman of the Board of Management of Sara Lee / DE International B.V.

N.M. Wagenaar
CEO of Getronics N.V.

M.P. Bakker
Chairman of the Managing Board and CEO of TNT N.V.

R.J.A. van der Bruggen
Chairman of the Board of Management of Imtech N.V.

H.Th.E.M. Rottinghuis
President and CEO of the Board of Directors of Pon Holdings B.V.

J. Bennink
Chairman of the Executive Board of Royal Numico N.V.

Ms N. McKinstry
Chairman of the Executive Board of Wolters Kluwer N.V.

J. Struik
President and CEO of Struik Food Group N.V.

Group Business Committee

Joost Kuiper (Chairman)
Managing Board member

Jeroen Drost
Head BU Asia

Gary Page
Head BU Global Markets

Fabio Barbosa
Head BU Latin America

Lars Gustavsson
Head Services

Sarah Russell
Head BU Asset Management

Norm Bobins
Head BU North America

Wilco Jiskoot
Managing Board member

Jan Peter Schmittmann
Head BU Netherlands

Ann Cairns
Head BU Transaction Banking

Michiel de Jong
Head BU Europe

Ron Teerlink
Managing Board member

Alexandra Cook-Schaapveld
Head BU Global Clients

Piero Overmars
Managing Board member

Chris Vogelzang
Head BU Private Clients

Situation as at 14 March 2007

Business Units, Segments, Group Functions and Services

Client BUs

BU Netherlands
Jan Peter Schmittmann

BU Europe
Michiel de Jong

BU North America
Norm Bobins

BU Latin America
Fabio Barbosa

BU Asia
Jeroen Drost

BU Private Clients
Chris Vogelzang

BU Global Clients
Alexandra Cook-Schaapveld

Product BUs

BU Global Markets
Gary Page

BU Transaction Banking
Ann Cairns

BU Asset Management
Sarah Russell

Client Segments

Commercial Client Segment
Muhammad Aurangzeb

Consumer Client Segment
Ravi Sankaranarayanan

Group Functions

Corporate Development
Alexander Pietruska

Group Audit
Peter Diekman

Group Communications
Robin Boon

Group Compliance & Legal
Carin Gorter

Group Finance
Maurice Oostendorp

Group Human Resources
Pauline van der Meer Mohr

Group Public Affairs
Jeroen Kremers (as from 1 May 2007)

Group Risk Management
David Cole

Investor Relations
Richard Bruens

Market Infrastructures
Gerard Hartsink

Services

Lars Gustavsson

Senior Executive Vice Presidents

	Year of appointment	Position
J. Sijbrand	1998	Head Global Markets Netherlands and Europe (BU Global Markets)
G.B.J. Hartsink	2000	Head Market Infrastructures (Group Functions)
A.E.J.M. Cook-Schaapveld	2000	Head BU Global Clients
J. W. Meeuwis	2000	Vice Chairman Global Clients Netherlands (BU Global Clients)
J. P. Schmittmann	2000	Head BU Netherlands
M.B.G.M. Oostendorp	2000	Head of Group Finance (Group Functions)
F.C. Barbosa	2001	Head BU Latin America
R.C. van Paridon	2001	Head of Integration, Asia
N.R. Bobins	2002	Head BU North America
S. Zavatti	2002	Vice Chairman Global Financial Institutions & Public Sector (BU Global Clients)
P. Fleuriot	2003	Vice Chairman Global Clients and BU sub-Regional Head (BU Europe)
D.A. Cole	2004	Head of Group Risk (Group Functions)
A. Cairns	2005	Head BU Transaction Banking
J.P. Drost	2006	Head BU Asia
C.W. Gorter	2006	Head Group Compliance & Legal (Group Functions)
S.A.C. Russell	2006	Head BU Asset Management
G. Page	2006	Head BU Global Markets
P.F.M. van der Meer Mohr	2006	Head Group Human Resources (Group Functions)
L.R. Gustavsson	2006	Head Services
M.G.J. de Jong	2006	Head BU Europe
C.F.H.H. Vogelzang	2007	Head BU Private Clients
P.L. Montani	2007	Head Antonveneta

Code of ethics

The standards of ethical conduct that ABN AMRO expects from its employees are set out in ABN AMRO's Corporate Values and Business Principles. We believe the Business Principles address the standards necessary to comprise a code of ethics for the purposes of section 406 of the Sarbanes-Oxley Act.

The Business Principles are applicable to all our employees, including the Chairman of the Managing Board, the Chief Financial Officer and other senior financial officers. All employees are accountable for adhering to the Business Principles. Suspected violations of the Business Principles may be reported in accordance with ABN AMRO's employee whistleblowing policy. The employee whistleblowing policy provides employees with clear and accessible channels for reporting suspected malpractice, including a direct channel to the Audit Committee of the Supervisory Board.

The Business Principles are accessible at www.abnamro.com. A copy of our Business Principles is also available upon request, free of charge, by writing or telephoning us at:
ABN AMRO
Investor Relations Department (HQ9141)
P.O. Box 283
1000 EA Amsterdam
The Netherlands
Tel: +31 20 6287835

Stock option programmes

ABN AMRO has stock option programmes under which employees of the bank's operating divisions and support functions located in the Netherlands may receive stock option grants in lieu of cash profit-sharing. In addition, a stock option programme for senior management grants a number of options to acquire ordinary shares each year to approximately 4,000 employees and Senior Executive Vice Presidents of the bank, with the level of grants based on seniority. The exercise price of options under these programmes is equal to the average of the high and low quoted price of the ordinary shares on the Euronext Amsterdam on the date of the grant. Pursuant to its stock option programmes, ABN AMRO may issue new shares or shares purchased by the bank in the open market. Depending on the stock option programme, the options are fully vested on the date of the grant and are exercisable during specified 'window periods' for a period of either five years or seven years. Options granted after 26 June, 1998 are, in accordance with tax rules, exercisable during specified 'window periods' during the fourth through seventh years after the option is granted.

Dutch Central Works Council

In 2006, the Central Works Council (CWC) continued to develop and expand its new role. To adequately monitor the numerous and rapid changes within ABN AMRO, the CWC is involved in the principal change processes at an early stage. The CWC aims to weigh up thoroughly the interests of the staff and the company itself as well as the possibilities and impossibilities of the change aspects, and to ensure the appropriate handling of requests for advice within a time frame acceptable to all stakeholders.

In 2006 the CWC was involved at an early stage in the development and implementation of the following reorganisation processes:

- Transformation towards the new Group structure
- Continued outsourcing of the new IT organisation and the Global Managed Data Network Service
- Global outsourcing, offshoring and bestshoring of Services
- Formal opinions were given on two parts of the HR Transformation Programme
- Reorganisation of ABN AMRO Bank N.V.'s mortgage operations
- Sale of (shares in) Bouwfonds to Rabobank and SNS Bank
- Phased worldwide the efficiency programme for Group Functions started in December 2006, with completion scheduled in 2009.

Alongside requests for advice, the CWC also received requests for approval, including the whistleblowing policy. In respect of this policy the CWC has negotiated that, in addition to formal whistleblowing reports via e-mail or telephone to Compliance and the head of HR Netherlands, employees can also contact the chairman of the CWC in confidence.

The CWC launched several initiatives in 2006. One striking example was the introduction of heart defibrillators within the bank. In addition, staff concerns about job losses in the Netherlands were emphatically raised in discussions with management. This resulted in the employability memorandum, which requests renewed attention for ABN AMRO's employability policy. The aim of the employability memorandum is to create awareness among both employees and managers and to emphasise that both have an interest in and responsibility for developing competencies and enhancing skills. This helps to create better opportunities on the internal and external career market for employees. Building on 'your career is your own responsibility', the bank offers every employee the opportunity to continue developing their talents. Management supports this objective. A large-scale employability survey will be held in the Netherlands in mid-February 2007.

In 2006, the CWC held consultations with two members of the Managing Board. Mr Collee, liaison for the CWC, bade farewell to the bank on 31 December 2006. His successor, Mr Boumeester, was appointed after consultation with the CWC.

Beside a number of formal and informal meetings with members of the Managing Board, the CWC also had two formal meetings with the Chairman of the Managing Board about a diverse range of subjects. More specifically, these included the results of the bank, its position within the chosen peer group, the cost-cutting operation of the fourth quarter, the far-reaching impact of compliance costs and various takeover scenarios. The formal consultative meetings were attended by a member of the Supervisory Board, which the CWC greatly appreciated.

In the field of corporate governance, both Mr Loudon and Mr Burgmans resigned – as Chairman and member, respectively – from the Supervisory Board. Mr Randa and Mr Kramer were appointed as new members of the Supervisory Board, and Mr Martinez became the new Chairman of the Supervisory Board. The CWC was informed in good time of these appointments.

Amid the complex change processes in the bank, the CWC continues to monitor the development and implementation of these changes and the accompanying arrangements, focusing particularly on the interests of the staff and of the company itself, the feasibility of the proposed changes – in terms of both the company's ability to change and the employees' capacity for change – and the way in which the bank communicates planned measures and initiatives. In addition, in its capacity as an employee representative body, the CWC not only looks at the direct staffing consequences of changes but also most emphatically at the substantive justification and necessity of the bank's plans.

On behalf of all consultative bodies within ABN AMRO, the CWC expresses its appreciation for the mutual trust that characterises the relationship with management. The role and commitment of Mr Collee may not remain unmentioned in this context. The sense of trust to which he contributed is an extremely important aspect of the mutual relationship. The CWC realises that renewed efforts are required to build a similar bridge of mutual respect and trust with the new management representative. The CWC is as committed as ever to fulfilling its role and responsibility with both professionalism and drive.

Amsterdam, 31 December 2006

Central Works Council

Employees in the Netherlands

All employees in the Netherlands, other than senior management, are covered by a collective labour agreement that is periodically renegotiated. ABN AMRO has not experienced any significant strike, work stoppage or labour dispute in recent years. Management considers the relations with employees to be good.

European Staff Council

For the European Staff Council (ESC), 2006 was dominated by the ongoing roll-out of ABN AMRO's new governance model. The new structure, which was implemented at senior level on 1 January 2006, had to be defined in further detail across the organisation during the year. Plans for leveraging the proposed efficiency gains were also presented to the ESC.

In 2006, the ESC held extensive discussions with ABN AMRO's management. Having been notified at an early stage of forthcoming developments, the ESC was given the opportunity to share its views on various plans with management. This early involvement enabled the ESC to influence the final plans, and in particular to ensure that their social consequences were adequately addressed.

Through its involvement, the ESC was also able to persuade management to give staff affected by the reorganisations early assistance and advice to help them prepare for their future, over and above the obligations laid down in law and in collective labour agreements.

After the processes involving employee representative bodies had been completed, the ESC remained involved in the implementation of the plans. The ESC highlighted a number of instances where reorganisations were not being conducted in line with the original plans, and where costs were higher while projected income was lower.

Six formal plenary sessions and approximately 25 preparatory working group meetings were held in the course of 2006. During these meetings, many issues and developments were discussed openly. Key topics included:

- The ongoing implementation of the new governance model
- The efficiency programme for Services
- The efficiency programme for Group Functions
- The ongoing implementation of the new HR operating model.

The ESC appreciates the constructive and open dialogue throughout 2006, as well as the positive manner in which management took on board feedback and responded to issues raised by the ESC with the Managing Board on behalf of employees.

Amsterdam, 31 December 2006

European Staff Council

Abbreviations

ADR	American Depositary Receipt
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)
AFS	Available-for-sale
ATM	Automated teller machine
BIS	Bank for International Settlements
bp	Basis point
BRL	Brazilian real
BU(s)	Business Unit(s)
CAAML	Client Acceptance & Anti-Money Laundering
CAP	(the EU's) Capital Adequacy Directive
CDS	Credit default swap
COSO	Committee of Sponsoring Organizations of the Treadway Committee
CRD	(the EU's) Capital Requirements Directive
CWC	(Dutch) Central Works Council
DNB	De Nederlandsche Bank N.V. (Dutch Central Bank)
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECM	Equity Capital Markets
ESC	European Staff Council
EU	European Union
EUR	Euro
EVP	Executive Vice President
FTE	Full-time equivalent (a measurement of number of staff)
FX	Foreign exchange
GAAP	General Accepted Accounting Principles
GBP	Great Britain pound
HR	Human Resources
HTM	Held-to-maturity
IAS	International Accounting Standards
IBNI	Incurred-but-not-identified
ID&JG	International Diamond & Jewelry Group
IFRIC	IASB International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IP	Internet Protocol
IT	Information Technology
LIBOR	London Interbank Offered Rate
M&A	Mergers & Acquisitions
MD	Managing director
MD&A	Management's discussion and analysis
MiFID	(the EU's) Markets in Financial Instruments Directive
MSR	Mortgage Servicing Right
NYSE	New York Stock Exchange
OECD	Organisation for Economic Cooperation and Development
OFAC	(US) Office of Foreign Assets Control
OTC	Over-the-counter
P2P	Purchase-to-Pay
PKR	Pakistan rupee
PIPE	Private Investments in Public Equity
ROE	Return on equity
RWA	Risk-weighted assets
SEC	(US) Securities and Exchange Commission
SEPA	Single Euro Payments Area
SEVP	Senior Executive Vice President

SMEs	Small to medium-sized enterprises
SRI	Socially Responsible Investment
SPE	Special purpose entity
THB	Thai baht
TMT	Telecommunications, media and technology
TRS	Total return to shareholders
USD	US dollar
VaR	Value-at-Risk

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.

APPENDIX 5 - RISK AND CAPITAL MANAGEMENT

The information in this Appendix 5 has been extracted from the annual report of ABN AMRO Holding for the year ended 31 December 2006. References to page numbers on the following pages are to pages of such report.

In this Appendix 5, references to "**ABN AMRO**" shall mean ABN AMRO Holding.

Risk and capital management

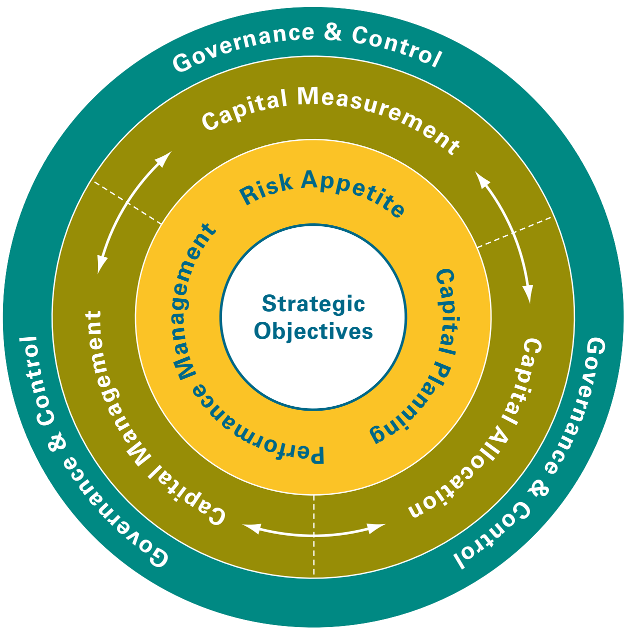
ABN AMRO uses a comprehensive and robust risk management framework to ensure all risks are identified, managed and controlled.

The following two sections detail the risk management practices employed by the bank in the wider context of the relationship between risk, capital and earnings.

Risk and the Capital Framework

The strategic objectives set by the Managing Board determine ABN AMRO's risk appetite, being one of the inputs for our capital planning and performance management. Risk appetite is the maximum risk ABN AMRO is willing to accept in executing its chosen business strategy, to protect itself against events that may have an adverse impact on its profitability, capital base or share price.

Figure 1: The Capital Framework



Risks are being managed within the Group by using limits or checkpoints set across the dimensions of capital, earnings volatility and concentration risk, constrained by the maximum risk appetite defined.

Capital forms the buffer to absorb losses arising from the risks the bank is exposed to. Therefore risk is an essential element in the Capital Framework.

The Group's Capital Framework is founded on ABN AMRO's strategic objectives, which determine the Group's risk appetite, capital planning and performance management. Risk appetite is amongst others expressed and quantified in terms of economic capital. Economic capital represents ABN AMRO's internal requirement for capital. Economic capital and assigned risk capital, the amount of capital allocated to the BUs, are explained in more detail in the Capital measurement paragraph, starting on the next page.

The Group's risk appetite, capital planning and performance management form the basis for the process of:

- Capital measurement: the measurement of risk resulting in an estimate of the requirement for capital
- Capital allocation: the allocation of capital to the separate BUs
- Capital management: the management of the supply of capital versus the demand for capital.

This process is supported by governance and control.

The design of the Capital Framework is illustrated on the left in Figure 1.

In this way, ABN AMRO can quantify overall risk appetite at Group level, subsequently cascade this risk appetite, in the form of assigned risk capital, down into each BU and therefore measure performance and manage its risk levels consistently across each BU.

The process aims at allocating resources dynamically to those businesses that provide superior returns on assigned risk capital, so that total return to shareholders is optimised given the set level of risk appetite. Apart from managing assigned risk capital, ABN AMRO must also manage the regulatory capital requirements.

Risk-weighted assets are managed in a complementary fashion through the Capital Framework, with risk-weighted assets limits being allocated to each BU alongside assigned risk capital.

In terms of the Basel II Capital Accord, Pillar 1 and Pillar 2 capital requirements will be managed through the Capital Framework.

Please refer to note 40 to the financial statements, starting on page 217, for an overview of the regulatory capital amounts and ratios.

Capital measurement

The capital that is measured in ABN AMRO is both the internal demand for capital (economic capital) as well as the regulatory capital (risk-weighted assets).

Economic capital is a measure of risk that indicates how much capital ABN AMRO should maintain to sustain unexpected losses with a high degree of certainty, given the exposures of the bank. ABN AMRO uses a confidence level of 99.95% in these calculations.

Economic capital is calculated for the following risks:

- Credit Risk and Country Event Risk (including equity stakes and private equity exposures)
- Interest Rate Risk (banking book positions)
- Market Risk of trading book positions
- Operational Risk
- Business Risk.

As ABN AMRO is active in many locations in the world and is involved in many different business activities, regional and industry diversification as well as the diversification between different risk types is taken into account in calculating cconomic capital.

Basel II

On 26 June 2004, the Basel Committee on Banking Supervision endorsed the publication of the 'International Convergence of Capital Measurement and Capital Standards: a Revised Framework', commonly referred to as Basel II. The Capital Requirements Directive (CRD) representing the translation of Basel II to EU legislation and replacing the Capital Adequacy Directive (CAD), was approved by the European Parliament in September 2005. This acceptance by the European Parliament cleared the way in Europe for the implementation of the Capital Requirements Directive, with a published compliance date of 1 January 2008.

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

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

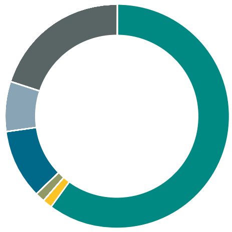
In setting up our Basel II programme, the teams across Risk, Finance, Services and the BUs have evolved as the implementation ramped up. Our key focus areas in 2006 included:

– validation of risk models
– integration of granular risk and finance information relating to the bank's portfolios
– development of tools for calculating credit risk-weighted assets.

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

Assigned risk capital per risk type (2006)

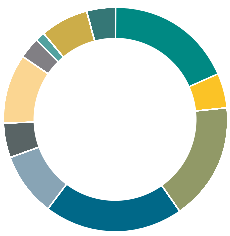
Total EUR 24 billion



- Credit Risk and Country Event Risk: 61%
- Market Risk (trading book): 1%
- Interest Rate Risk (banking book): 1%
- Operational Risk: 10%
- Business Risk: 7%
- Capital assigned to BUs for other risks: 20%

Assigned risk capital per BU (2006)

Total EUR 24 billion



- BU Netherlands: 19%
- BU Europe (excluding Antonveneta): 5%
- Antonveneta: 17%
- BU North America: 20%
- BU Latin America: 9%
- BU Asia: 5%
- BU Global Clients: 10%
- BU Private Clients: 3%
- BU Asset Management: 1%
- Private Equity: 7%
- Other: 4%

ABN AMRO calculates economic capital using its own internally developed methodology.

Assigned risk capital comprises economic capital for the above-mentioned five risk types (currently approximately 80% of assigned risk capital) and an add-on for other risks.

The assigned risk capital per risk type is visualised in the top graph on the left.

We note that a comparison of ABN AMRO cconomic capital and/or assigned risk capital with that of other financial institutions is hampered by the fact that banks use a wide variety of definitions, model coverage and underlying assumptions. Concepts based on statistical methods, including economic capital and assigned risk capital, by definition have limitations.

ABN AMRO is currently developing and implementing its Basel II infrastructure. As a result, our economic capital and assigned risk capital models may change due to improvements in our ability to measure risks.

Currently, risk-weighted assets are calculated under the Basel I capital regime. During 2007, both Basel I and Basel II risk-weighted assets will be calculated as a part of an internal parallel run. As of 2008, ABN AMRO aims to implement the advanced approaches for all risk types under Basel II, Pillar 1.

Capital allocation

Capital within ABN AMRO is recognised and valued as a scarce resource, and is allocated centrally by the Group in line with its business strategy.

Capital allocation is embedded in the Strategic Management Process, an all-encompassing management tool that incorporates goal setting, strategy development, resource allocation and performance measurement. The underlying objective of this process is to ensure that capital is allocated in a manner that maximises value creation from a Group perspective within the constraints of ABN AMRO's overall risk appetite.

In recognition of the diverse markets and geographic locations in which ABN AMRO operates, this top-down approach includes a complementary bottom-up process, with input from the BUs, to ensure value-creating opportunities are identified and appropriately addressed.

The result from this process is the allocation of budgets to the BUs for assigned risk capital and for risk-weighted assets. The target returns on assigned risk capital are based on the Group-wide return on equity (ROE) target.

For the assessment of the performance of the BUs, Economic Value is applied as a metric. Economic Value is the net present value of the cumulative economic profit, which is essentially net profit adjusted for a charge on assigned risk capital and goodwill.

Economic profit is measured on a quarterly basis to ensure that capital allocated is generating the desired returns, and to benchmark the performance of the business against those of internal and external peers. The assigned risk capital per BU is visualised in the bottom graph on page 72.

Capital management

Capital management aims to ensure that there is sufficient capital to meet the capital requirements of the bank as determined by the underlying business strategy.

Capital is managed within ABN AMRO through a centralised Capital Management function within Group Asset and Liability Management, which seeks to:

- Actively manage the supply of capital for the bank in order to reduce capital costs and increase capital velocity
- Increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital
- Improve the liquidity of the bank's assets to allow for an optimal deployment of the bank's resources.

The integration of Capital Management and Asset and Liability Management allows a single centralised function within ABN AMRO to take a holistic view of the capital supply and demand equation, and initiate appropriate actions as required.

Structure

The processes described in the previous paragraphs are integrated in order to create a framework to optimally support the usage and allocation of capital, both assigned risk capital and risk-weighted assets, within ABN AMRO.

Capital measurement

The Group Risk Committee and Group Asset and Liability Committee determine the risk

Drivers of capital demand	**Tools to manage the capital supply**
Regulatory requirements 1	Share issuance
Risk appetite	Retained earnings
Rating objectives 2	Hybrid / Tier 2 issuance
Dividend policy	Securitisations / Credit derivatives
Business growth	Hedging of FX capital components

1 *ABN AMRO is required to maintain a minimum total tier ratio of 8%. It is the current policy of the bank to exceed this ratio and provide for a total tier ratio of not less than 10%. The bank provides for further granularity in these ratios by setting a medium-term policy of maintaining a minimum tier 1 ratio of 8.5% and minimum core tier 1 ratio of 6.5%.*

2 *ABN AMRO's robust regulatory capital ratios, in combination with the Capital Framework that results in the prudent allocation of resources to value-creating activities, has resulted in the bank being awarded a strong credit rating by external agencies. While these strong ratings are maintained, they bring the bank a competitive advantage by ensuring a stable cost of funds and ready access to liquidity resources.*

policies, procedures and methodologies for measuring and monitoring risk. The departments within Group Risk Management and Group Asset and Liability Management have an overall responsibility to monitor the adherence to all risk policies. The BUs, however, are responsible for operating in compliance with the risk philosophy as described in the following section.

Capital allocation

The Strategic Management Process is governed by the Resource Allocation and Performance Management Committee of the Managing Board, which advises the Managing Board and BUs on optimising economic value creation, the approval of performance targets, the allocation of resources and the agreement of performance contracts with the BUs.

Capital management

The Capital management process is governed by the Group Asset and Liability Committee. The Group Asset and Liability Committee is responsible for the development of the bank's policies on Liquidity Risk, the hedging of capital invested in countries, managing capital ratios and the total capital requirement and new equity issuance needs.

Risk coverage – scope of the Capital Framework

Risk philosophy

ABN AMRO's risk philosophy sets out bank-wide criteria for the acceptance, monitoring, control and management of risk. Its purpose is to create shareholder value by ensuring the bank adheres to the following concepts:

- *Risk awareness*
  Risks are identified, understood, and measured at all levels in the organisation.
- *Defined risk appetite*
  Risk accepted by the institution is within the tolerance level set by the Managing Board in accordance with the Group strategy, existing capital constraints, sustainable earnings and maintenance of desired credit rating for the bank.
- *Clarity and transparency*
  Risk decisions are clear, explicit, and consistent with strategic business objectives.
- *Risk-reward alignment*
  One of the bank's core competencies is to take and manage risks. The bank's risk decisions should be based upon the appropriate risk-reward balance.
- *Compliance*
  Decisions that may legally and morally commit the bank must be in compliance with internal approval procedures, the relevant regulations, and ABN AMRO's Corporate Values and Business Principles.

In the following paragraphs a description is given of the way we measure and manage the distinct risk types within ABN AMRO.

Credit Risk and Country Event Risk

We define Credit Risk as the risk of a loss because a counterparty or an issuer may fail to fulfil its obligations to the bank. This covers actual payment defaults as well as losses in value resulting from a decrease in the credit quality of the counterparty or issuer.

Country Event Risk is the risk that a certain event in a country triggers a payment problem for a large number of corporates and/or banks in that country that would otherwise not have been in financial difficulty. Therefore, the integrated approach of Credit Risk and Country Event Risk reflects the risk that the counterparty may default whether by reasons specific to that counterparty or as a result of country events.

Management

We manage Credit Risk and Country Event Risk in two dimensions:

- At portfolio level to manage concentrations at the following levels:
  - Country/region level
  - Industry level
  - Product or segment level
- At individual level for single event / single obligor.

To manage concentration risks, limits and/or checkpoints are set on the maximum Credit and Country Event Risk Economic Capital in the relevant countries, industry clusters or product segments.

The concentration in industry clusters is visualised in the graph on page 76.

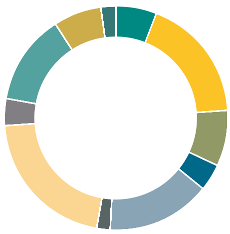
Additionally, notional limits are put in place for Cross-Border Risk and Sovereign Risk. Notional limits are also set on a number of portfolios as a straightforward and practical way to manage the maximum exposure in these portfolios (e.g. commercial real estate, leveraged finance).

Individually, single event/single obligor limits are set:

- Single obligor risk is managed by setting limits on Loss at Default. Loss at Default is

Credit risk economic capital (2006) Per industry cluster – commercial portfolio*

Total EUR 7 billion



- Basic materials: 6%
- Consumer cyclical: 18%
- Consumer non-cyclical: 8%
- Energy: 4%
- Financial institutions: 15%
- Health: 2%
- Industrial: 21%
- Public sector: 4%
- Real estate: 13%
- Telecom, Media, Technology: 7%
- Other: 2%

* *Excluding Antonveneta, excluding impact of securitisation of own assets.*

the amount that the bank expects to lose when a counterparty defaults.

- Authorities for credit decisions involving commercial clients are primarily based on Global One Obligor Exposure. This is the combination of all direct and contingent credit limits to a given relationship globally.

Measurement

Inputs to the Economic Capital calculation are derived from our rating systems. Rating tools are available for all our major loan portfolios. They consist of a Uniform Counterparty Rating and a Loss Given Default classification. The Uniform Counterparty Rating reflects the estimated probability that the counterparty will default, while the Loss Given Default classification reflects the level of loss that we would expect to suffer on a facility if the counterparty defaults. The Loss Given Default classification is determined for each facility on the basis of seniority, collateral and an assessment of the legal environment.

There are lending programmes in place for standard loans granted to consumers and small-sized enterprises. A programme lending approach contains standard risk acceptance criteria and loan processing practices in order to optimise the efficiency and risk/rewards of those portfolios.

Please refer to note 39 to the financial statements, starting on page 204, for quantitative information on maximum credit exposure and credit risk concentrations from loans and receivables in commercial and consumer client segments.

Interest Rate Risk (banking book)

We define Interest Rate Risk as the risk that the value of ABN AMRO's financial assets, other than those categorised as trading assets (the banking book), decreases and/or that the value of the bank's liabilities increases, because of changes in interest rates. Interest Rate Risk arises primarily from the fact that the maturity of the bank's assets typically exceeds the maturity of the bank's liabilities (a 'maturity mismatch'). The interest rate sensitivity of our trading books is measured under Market Risk.

Management

The overall objective is to manage current and future earnings sensitivity due to interest rate risk exposure.

For the purposes of economic capital, Value at Risk is calculated on the overall Interest Rate Risk position. Value at Risk is a statistical measure that represents an estimate of the worst-case loss due to adverse changes in risk factors, over a specific time horizon and at a specific level of confidence. However, the ongoing management of Interest Rate Risk goes further than simply looking at the overall Value at Risk, as using this measure only does not lead to an optimal management of the Interest Rate Risk exposures in the banking book.

Measurement

Several tools are used to monitor and limit the Interest Rate Risk exposures in our banking book. The methods employed include earnings simulation, duration and presentvalue per base point limits.

ABN AMRO uses estimation techniques to calculate a set of forward-looking pre-defined interest rate scenarios, such as movements in the yield curve level and shape. In combination with balance sheet simulation models the bank calculates earnings at risk and the change in value of equity.
ABN AMRO's position is managed to ensure these two metrics are within defined limits under the pre-defined scenarios. Any required corrective action is taken through steering actions relating to the underlying portfolio. These model-based scenario analyses require assumptions about client behaviour. The bank uses statistical and mathematical models to express this behaviour in our simulation.

For Interest Rate Risk positions that are less complex, the risk is controlled by (bucketed) present value per base point limits.

Market Risk

We define Market Risk as the risk that movements in financial market prices will decrease the value of our trading portfolios. We are exposed to Market Risk through our trading activities, which are carried out both for customers and on a proprietary basis. For trading related to customer facilitation we warehouse Market Risk, while for proprietary trading we actively position ourselves in the financial markets.

There are several major sources of Market Risk including interest rate, foreign exchange, equity price, commodity price, credit spread, volatility risks and correlation risks.

Management

In any trading activity, Market Risk arises both from open (unhedged) positions and from imperfect correlation between market positions that are intended to offset one another. The overall objective of managing Market Risk is to avoid unexpected losses due to changes in market prices and to optimise the use of market risk capital. ABN AMRO manages Market Risk primarily through the use of a set of historical and hypothetical scenarios, stressing relevant risk factors and estimating the potential profit and loss under stress, as well as through the calculation of the 99 percentile loss (or Value at Risk) on open positions.

The bank then looks to manage these potential exposures on a daily basis within pre-defined limits for each of the major types of Market Risk.

This quantitative approach, combined with qualitative analytical approaches, is designed to control ABN AMRO's exposure to movements in the financial markets.

Other control measures used in the Market Risk management process include limits on net open positions in terms of their sensitivities to changes in interest rate, credit spreads, volatilities and so on. Alongside these sensitivities, ABN AMRO also monitors position concentrations and position ageing. These non-statistical measures help to monitor and control Liquidity Risk in trading books.

Measurement

The Value at Risk is reported on a daily basis per trading portfolio, per product line and for the Group as a whole. It is reported daily to the senior management of the BUs, Group Risk Management and the responsible members of the Managing Board. Please refer to note 39 to the financial statements, starting on page 204, for the quantification of Value at Risk per risk category.

Although the Value at Risk represents a good estimate of potential losses under normal market circumstances, it fails to capture 'one-off' events. This limitation of Value at Risk models means that we must supplement it with other measurements of risk. These include a series of stress scenarios that shed light on the behaviour of our portfolio and the impact on our financial results under extreme market movements. Stress scenarios have been developed internally to reflect specific characteristics of the bank's portfolios and are performed on a daily basis for each trading portfolio and at several aggregation levels. These stress scenarios include stepped movements in one or more risk factors (e.g. parallel shifts in interest rate curves) and multiple factor tests that are based on actual historical events or plausible hypothetical scenarios.

Operational Risk

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

Management

The guiding principle in Operational Risk Management is that management at all levels in the organisation is responsible for directing and managing operational risks. Operational Risk Management officers are assigned throughout ABN AMRO to assist line management in fulfilling this responsibility.

Measurement

Line management needs information to enable it to identify and analyse Operational Risk, implement mitigating measures and determine the effectiveness of these mitigating measures. ABN AMRO has implemented a number of programmes and tools to support line management. These include:

- *Risk Self-Assessment*
  A structured approach that helps line management to identify and assess risks and take mitigating actions for risks which are identified as unacceptable. Risks are assessed with the assistance of facilitators, who are usually Operational Risk Management staff.
- *Internal and external loss data*
  Our Corporate Loss Database allows for the systematic registration of our Operational Risk losses. This tool assists senior management in their analysis of Operational Risk. The use of internal loss data is one of the qualifying criteria for the Advanced Measurement Approaches under Basel II, and forms the basis for calculating cconomic capital and regulatory capital under Basel II. Additionally, external loss data is used to perform benchmark analyses. In this context, we are a founding member of the Operational Risk eXchange, an international data consortium.
- *Operational Risk Assessment Process*
  The Operational Risk Assessment Process is a comprehensive approval process that includes an explicit assessment of the operational risk associated with change, whether it is a new business proposal, a change to the organisation, the implementation of a system or some other change. The process includes sign-off by relevant parties (including Group Compliance, Group Legal and Group Finance) and approval by an appropriate committee.

- *Key Risk Indicators*
  Key Risk Indicators are used to indicate possible changes in the Operational Risk profile. They allow for a trend analysis over time and trigger actions if required.
- *Key Operational Risk Control*
  A framework that provides clear descriptions of 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.

Business Risk

Business Risk is the risk that operating income is lower than expected because of lower than expected revenues (e.g. lower margins, lower market share, market downturn) or higher than expected costs, not being caused by one of the other risk types.

Management

Business Risk is driven by the volatility of the revenue stream and the extent to which costs are fixed or vary with revenues. For this reason, Business Risk is managed through the regular business processes. Operational leverage (fixed costs as a percentage of total costs) is part of the regular cost management function.

Business Risk can be reduced either by increasing variable cost or decreasing revenue volatility. Operational leverage can be increased at all levels in the organisation. Volatility is endemic to any business, however, and can only be influenced by changing the business mix. As a consequence, volatility will primarily be managed at BU level or Group level.

Measurement

The Value at Risk model that the bank has developed to measure Business Risk has as its key factors the volatility of the revenues and the cost structure of the BU or activity.

Other risks

As described in the previous paragraphs, cconomic capital is calculated for Credit Risk and Country Event Risk, Interest Rate Risk (banking book), Market Risk, Operational Risk and Business Risk. There are a number of additional risks ABN AMRO as a whole is exposed to and for which capital needs to be held. For some other risks we deem no additional capital is required to be held or we believe that the impact of such risks is already included in one of the risk types included in cconomic capital.

In the following paragraphs we describe some risks not explicitly covered by our economic capital models.

Liquidity Risk

Complementing the Capital Framework view, risk appetite is also expressed through the Liquidity Risk framework employed by ABN AMRO. This framework is used to manage Liquidity Risk.

Liquidity may be defined as a bank's ability to ensure the availability of funds to meet all on-balance sheet and off-balance sheet commitments at a reasonable price. Liquidity Risk can in turn be defined as the risk to earnings and capital arising from a bank's potential inability to meet its liabilities when they become due, without incurring unacceptable losses. Conversely, Liquidity Risk also manifests itself in the form of opportunity losses due to holding excess liquidity relative to liabilities.

Management

ABN AMRO takes a two-tiered approach to Liquidity Risk Management:

- Going Concern Liquidity Management: the management of the day-to-day liquidity position within specified parameters to ensure all liabilities can be met on a timely basis

- Event Risk Liquidity Management: ensuring that in the event of either a firm-specific or general market event, the bank is able to generate sufficient liquidity to withstand a short term liquidity crisis.

The overall Liquidity Risk is kept at such a level that ABN AMRO is able to resume its business after a specified crisis.

Event Risk Liquidity Management includes the following tools:
- Stress test: a quantitative analysis of the liquidity impact of several (market- and company-specific) liquidity crises
- Liquidity buffer: mitigation of an event risk is achieved through the provision of standby liquidity in the form of unencumbered, Central Bank eligible collateral
- Contingency Funding Plan: describes the steps and procedures taken in the event of a crisis. Contingency Funding Plans are in place at Group, BU and country level. Their effectiveness is tested with periodic dry-runs.

Measurement
The monitoring and control of Liquidity Risk on an ongoing basis includes:
- Balance Sheet Ratio Analysis: the relationship between the sub-components of the balance sheet at a given point in time indicating the underlying balance sheet liquidity
- Measurement of Cash Flow Gap: the gap between expected cash inflows and outflows determined within a series of time brackets
- Diversification of Funding Schedule: an analysis of funding sources broken down by customer, instrument and product.

Legal Risk
Legal Risk may be defined as the risk from failure to comply with statutory or regulatory obligations and from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, law or regulations.

Management
To maintain its strong reputation for integrity and sustainability, ABN AMRO needs to manage Legal Risk in a rigorous and consistent way across all its businesses requiring the involvement and oversight of the legal and the compliance function.

With this in mind, from the start of 2006 the bank made two significant changes to its legal function. The first was the creation of a consolidated Group Legal function to oversee ABN AMRO's Legal Risk worldwide and act as a central reporting point for our teams of in-house lawyers. The second was a new Global Legal Mandate to help the business make the most effective use of the bank's legal resources.

The compliance function within ABN AMRO exercises independent oversight on behalf of senior management of core processes and related policies and procedures designed to ensure we conform with both the letter and spirit of industry-specific laws and regulations, thereby maintaining the bank's reputation. With effect from 1 January 2006, the Group Compliance organisation was restructured in order to align it further with ABN AMRO's new Group structure. For more information on ABN AMRO's compliance function, please refer to page 35.

Measurement
Under the Capital Requirements Directive (Basel II) Operational Risk includes Legal Risk.

Reputational Risk
We define Reputational Risk as the risk of potential losses arising from negative public opinion, irrespective of whether this opinion is based on facts or merely public perception. The losses may result from incurring

increased funding costs as well as from not generating expected revenues.

Management

We believe that our pursuit of long-term business sustainability and shareholder value creation requires proper conduct of our business activities in accordance with ABN AMRO's Corporate Values and Business Principles as well as with laws and regulations.

A key component of risk management is ensuring that ABN AMRO's reputation is preserved and enhanced through choosing to engage responsibly in the right business activities with the right clients.

Our philosophy is that the primary responsibility for applying sustainability criteria to business selection and approval processes rests with our client-facing staff. For this reason we have created tools to support our staff.

Apart from legal and compliance policies we have developed several reputational risk policies to identify, assess and manage the non-financial issues present within our business engagements. These policies and standards are referred to as Environmental, Social and Ethical Risk Management policies, and currently include: Human Rights, Forestry and Tree plantations, Oil & Gas, Mining & Metals, Dams, Defence industry, Tobacco, Gambling, and Animal Testing. Every policy contains client and transaction acceptance criteria, including appropriate filters. Such filters have been developed to assess whether an engagement could present potential environmental, social or ethical issues and thereby translate into Reputational Risk.

In applying this philosophy, we have developed an approach to policy development that is based on applicable international industry norms and conventions and that incorporates consultation with non governmental organisations, clients, peers and our client-facing staff.

For further information on our Reputational Risk and sustainability approach, please refer to our Sustainability Report for 2006, which can be viewed on our website at www.abnamro.com.

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