

ABN AMRO HOLDING N V
Form 20-F
March 31, 2008

As filed with the Securities and Exchange Commission on 31 March 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended 31 December 2007
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14624

ABN AMRO HOLDING N.V.
(Exact name of registrant as specified in its charter)
THE NETHERLANDS
(Jurisdiction of incorporation or organisation)
Gustav Mahlerlaan 10, 1082 PP Amsterdam
The Netherlands
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares of ABN AMRO Holding N.V.(1)	New York Stock Exchange

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American Depositary Shares, each representing one Ordinary Share of ABN AMRO Holding N.V.	New York Stock Exchange
Guarantee of 5.90% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust V.....	New York Stock Exchange
Guarantee of 6.25% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VI.....	New York Stock Exchange
Guarantee of 6.08% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VII...	New York Stock Exchange
5.90% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust V.....	New York Stock Exchange
6.25% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VI.....	New York Stock Exchange
6.08% Non-cumulative Guaranteed Trust Preferred Securities of ABN AMRO Capital Funding Trust VII...	New York Stock Exchange

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The number of outstanding shares of ABN AMRO Holding N.V.'s classes of capital or common stock as of 31 December 2007 was:

Title of Class	Number of Shares Outstanding
Ordinary Shares (EUR 0.56)	1,084,634,609
Convertible Financing Preference Shares (EUR 0.56)	767,096,884
Formerly Convertible Preference Shares (EUR 2.24)	44,988
Non-cumulative Guaranteed Trust Preferred Securities	16,697,030

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The information contained in this report is incorporated by reference into the registration statements on Form S-8 with Registration Nos. 333-81400, 333-84044, 333-74703, 333-140798, 333-145751 and 333-149577, the registration statements on Form F-3 with Registration Nos. 333-137691 and 333-104778 and the registration statement on Form F-4 with Registration No. 333-108304.

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SECTION 1 GENERAL

CHAIRMAN'S REVIEW

Chairman's review of 2007

On 17 October 2007 the majority of ABN AMRO's Holding share capital was acquired by the consortium of banks through RFS Holdings B.V. The consortium consists of The Royal Bank of Scotland Group plc ('RBS'), Fortis N.V., Fortis SA/NV ('Fortis') and Banco Santander S.A. It was the outcome of a process under which ABN AMRO's shareholders were able to choose between two competing offers for ABN AMRO one from Barclays and one from the consortium. In early November, the consortium announced that they had acquired 98.8% of the ordinary shares of ABN AMRO Holding, 86.1% of the formerly convertible preference shares and 98.8% of the convertible financing preference shares. A 'squeeze-out' procedure was started shortly after the acquisition to buy out the remaining shareholders and initiatives to delist ABN AMRO shares from Euronext Amsterdam and the New York Stock Exchange were taken. The delisting is expected to be effective 25 April 2008.

At the request of the Dutch Central Bank, RBS has assumed the lead responsibility for ensuring that ABN AMRO is managed in compliance with all applicable regulatory requirements.

Plans and proposals for ABN AMRO

Following the completion of the acquisition, the consortium banks have worked closely with the management of ABN AMRO to verify and expand the information received from, and assumptions made on the basis of, the limited due diligence access granted to them before announcement of the offers.

In December 2007, the consortium banks agreed and validated a base-line plan for achieving synergies and for separating and transferring of the ABN AMRO businesses to the respective banks. The businesses to be acquired by each of the banks of the consortium and in which each have an interest through their share holdings in RFS Holdings B.V. equal to the banks funding commitments, are:

- RBS: Business Unit North America, Business Unit Global Clients (excluding Latin America) and Dutch wholesale clients and wholesale clients in Latin America (excluding Brazil), Business Unit Asia (excluding interest in Saudi Hollandi Bank) and Business Unit Europe (excluding Antonveneta).
- Fortis: Business Unit Netherlands (excluding former Dutch wholesale clients), Business Unit Private Clients (excluding Latin America) and Business Unit Asset Management. The European Commission has cleared the acquisition of certain businesses of ABN AMRO by Fortis, on the condition that certain specified businesses were divested. The businesses identified for disposal are the Hollandsche Bank Unie N.V., 13 advisory branches and two Corporate Client Departments as well as the sale of the Dutch factoring company IFN Finance B.V. Fortis can only acquire control over ABN AMRO's Business Unit Netherlands and Business Unit Private Clients after divesting these assets to a suitable purchaser.
- Santander: Business Unit Latin America (excluding wholesale clients outside Brazil), Antonveneta, Asset Management Antonveneta and Private Clients business in Latin America. On 8 November Santander announced it had reached an agreement with Banco Monte dei Paschi di Siena with respect to the sale of Antonveneta.

Furthermore the consortium participate proportionally to their funding commitment in the shared assets which include: central functions including Head Office functions, the private equity portfolio, the Group's investment in Saudi Hollandi Bank, the central investment portfolio and debt issuances. During the reorganisation, the consortium

banks will retain a shared economic interest in all central functions (including Head Office functions) that provide support to the ABN AMRO businesses. The non-core assets are expected to be disposed of over a period of time with a view to maximising their value.

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This transition plan forms the basis for continued consultation with employee representative bodies and regulators. The plan for separating and transferring the ABN AMRO businesses to the respective banks was submitted to the Dutch Central Bank and Central Works Council for review in mid December and was neutrally advised by the Central Works Council on 14 February 2008 and approved by the Dutch Central Bank on 10 March 2008. Now that the approvals have been received, the implementation of the plan can begin.

Different parts of ABN AMRO will experience separation and integration at different speeds. The precise timing of the separation of the businesses will depend on a range of factors, including the complexity of the separation task. For more complex separation processes, where the businesses are closely interlinked with the ABN AMRO Group systems and platforms, (such as within the BU Netherlands), separation and integration is expected to take some time; in contrast other less complicated separations will move relatively quickly. In each case the pace of the separation process will aim to accommodate the need for clarity among employees while also maintaining the appropriate level of service to ABN AMRO's clients.

For now the acquisition has no impact on the status of any debt and related securities currently issued and/or guaranteed by ABN AMRO Holding N.V. or any of its subsidiaries. In addition, the entire portfolio of ABN AMRO's risk management transactions will be managed actively to ensure that all the risk management needs of the component ABN AMRO businesses are satisfied.

The operations in 2007

The net profit attributable to shareholders in 2007 amounted to EUR 9,848 million and included a gain on the sale of LaSalle of EUR 7,162 million. Adjusted* net profit attributable to shareholders was EUR 2,665 million.

The original earnings per share (EPS) target for 2007 of EUR 2.30 included the full-year profit of LaSalle. Following the sale of LaSalle, this target was revised for nine months contribution to EUR 2.16. The adjusted EPS was EUR 1.44, primarily due to the impact of the credit market related write-downs (EUR 0.62) and the continued disappointing performance of Antonveneta (EUR 0.23).

Mark Fisher
Chairman of the Managing Board of ABN AMRO

Amsterdam, 25 March 2008

*The adjusted figures exclude the following items: gains on sale and disposals, gain on sale of Capitalia which was settled in exchange for shares of Unicredito, transaction-related expenses including a break fee paid to Barclays, transition and integration costs, a liability for the proposed US Department of Justice settlement, a provision for the Futures business which was sold in 2006, and restructuring expenses in 2006.

The total impact of these adjustments in 2007 is EUR 868 million on operating income, EUR 1,151 million on operating expenses, negative EUR 275 million on tax, EUR 7,191 million on discontinued operations, and EUR 7,183 million on net profit attributable to shareholders.

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INTRODUCTION

Filing

This document contains ABN AMRO's Form 20-F, which will be filed with the United States Securities and Exchange Commission ("SEC").

Certain definitions

Throughout this document, "Holding" means ABN AMRO Holding N.V. The terms "ABN AMRO," and "the Group" refer to Holding and its consolidated subsidiaries. The "Bank" means ABN AMRO Bank N.V. and its consolidated subsidiaries. The term "BU" refers to Business Unit. "EUR" refers to euros, while "USD" refers to US dollars.

The terms "consortium" and "consortium banks" refer to the banks The Royal Bank of Scotland Group plc ("RBS"), Fortis N.V., Fortis SA/NV ("Fortis") and Banco Santander S.A. ("Santander") who jointly acquired ABN AMRO Holding N.V. on 17 October 2007.

Presentation of Information

Unless otherwise indicated, the financial information contained in this annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standard Board (IASB) which vary in certain significant respects from accounting principles generally accepted in the United States, or "US GAAP".

A body of generally accepted accounting principles such as IFRS is commonly referred to as "GAAP". A "non-GAAP financial measure" is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. This report presents certain non-GAAP financial measures as a result of excluding the consolidation effects of ABN AMRO's private equity holdings. In accordance with applicable rules and regulations, ABN AMRO has presented definitions and reconciliations of non-GAAP financial measures to the most comparable GAAP measures in the paragraph "Operating and Financial Review and Prospects" in this report. The non-GAAP financial measures described in this report are not a substitute for GAAP measures, for which management has responsibility.

All annual averages in this report are based on month-end figures. Management does not believe that these month-end averages present trends materially different from those that would be presented by daily averages.

Certain figures in this document may not sum up exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.

Cautionary Statement on Forward-looking Statements

Certain statements included in this report are forward-looking statements. ABN AMRO also may make forward-looking statements in ABN AMRO's other documents filed with its regulators and stock exchange, invitations to annual shareholders' meetings and other information sent to shareholders, offering circulars and prospectuses, press releases and other written materials. In addition, ABN AMRO's senior management may make forward-looking statements orally to investors, representatives of the media and others. Forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "expect", "may", "intend", "will", "should", "anticipate", "Value at Risk", or by the use of similar expressions or variations on such expressions, or by the discussion of strategy or objectives. Forward-looking statements are based on current plans, estimates and projections, and are

subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements.

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

ABN AMRO has identified some of the risks inherent in forward-looking statements in the paragraph "Risk factors" in this report. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements in this report include, but are not limited to:

- general economic and business conditions in the Netherlands, the European Union, the United States, Brazil and other countries or territories in which ABN AMRO operates;
- changes in applicable laws and regulations, including taxes;
- uncertainty on the capital consequences of the implementation of the Basel II framework;
- regulations and monetary, interest rate and other policies of central banks, particularly the Dutch Central Bank, the Bank of Italy, the European Central Bank, the US Federal Reserve Board and the Brazilian Central Bank;
- changes or volatility in interest rates, foreign exchange rates (including the Euro-US dollar rate), asset prices, equity markets, commodity prices, inflation or deflation;
- volatility in the financial or credit markets;
- the effects of competition and consolidation in the markets in which ABN AMRO operates, which may be influenced by regulation, deregulation or enforcement policies;
- changes in consumer spending and savings habits, including changes in government policies which may influence investment decisions;
- ABN AMRO's ability to hedge certain risks economically;
- ABN AMRO's success in managing the risks, which depends, among other things, on the ability to anticipate events that cannot be captured by the statistical models ABN AMRO uses;
- risks related to ABN AMRO's transition and separation process following its acquisition by the consortium banks; and
- force majeure and other events beyond ABN AMRO's control.

Factors that could also adversely affect ABN AMRO's results or the accuracy of forward-looking statements in this report, and the factors discussed here or in the paragraph "Risk factors" should not be regarded as a complete set of all potential risks or uncertainties. ABN AMRO has economic, financial market, credit, legal and other specialists who monitor economic and market conditions and government policies and actions. However, because it is difficult to predict with complete accuracy any changes in economic or market conditions or in governmental policies and actions, it is hard for ABN AMRO to anticipate the effects that such changes could have on ABN AMRO's financial performance and business operations.

The forward-looking statements made in this report speak only as at the date of publication of this report. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature ABN AMRO may make in ABN AMRO's interim reports. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

Selected financial data

The selected financial data set out below has been derived from ABN AMRO's audited consolidated financial statements for the periods indicated. ABN AMRO's consolidated financial statements for each of the years ended 31 December 2007, 2006 and 2005 have been audited by Ernst & Young Accountants, independent auditors. The selected financial data is only a summary and should be read in conjunction with and is qualified by reference to the consolidated financial statements and notes included elsewhere in this report and the information provided in this section.

Selected consolidated income statement

	2007 (1) (in millions of USD)	As at 31 December		
		2007	2006	2005
		(in millions of euros)		
Net interest income	11,446	8,352	7,268	6,763
Net fee and commission income	5,859	4,275	4,049	3,432
Net trading income	1,749	1,276	2,849	2,514
Results from financial transactions	2,121	1,548	794	1,183
Share of result in equity accounted investments	371	271	241	245
Other operating income	1,886	1,376	914	808
Income of consolidated private equity holdings	5,257	3,836	5,313	3,637
Operating income	28,689	20,934	21,428	18,582
Operating expenses	23,956	17,480	16,945	13,913
Loan impairment and other credit risk provisions	2,335	1,704	1,411	614
Total expenses	26,291	19,184	18,356	14,527
Operating profit before tax	2,398	1,750	3,072	4,055
Income tax expense	(66)	(48)	366	735
Profit from continuing operations	2,464	1,798	2,706	3,320
Profit from discontinued operations net of tax	11,206	8,177	2,074	1,123
Profit for the year	13,670	9,975	4,780	4,443
Attributable to shareholders of the parent company	13,496	9,848	4,715	4,382
Dividends on ordinary shares	1,468	1,071	2,153	2,050
Per share financial data				
Average number of ordinary shares outstanding (in millions)	---	1,851.3	1,882.5	1,804.1
Net profit per ordinary share (in EUR)	-	5.32	2.50	2.43
Fully diluted net profit per ordinary share (in EUR)	---	5.32	2.49	2.42
Net profit per ordinary share from continuing operations (in EUR)	-	0.92	1.43	1.83
Fully diluted net profit per ordinary share from continuing operations (in EUR)	-	0.92	1.42	1.83
Dividend per ordinary share (in EUR)	-	0.58	1.15	1.10
Net profit per American Depositary Share (in USD) (2) (3)	-	7.29	3.16	3.01
Dividend per American Depositary Share (in USD) (2)	-	0.70	1.50	1.34

(1) Solely for your convenience, euro amounts have been translated into US dollars at an exchange rate of 1 USD = EUR 0.7297, which is the rate equal to the average of the month-end rates for 2007.

- (2) Adjusted for increases in share capital, as applicable. See Note 12 to ABN AMRO's consolidated financial statements for a description of the computation of earnings per ordinary share.
- (3) This item has been translated into US dollars at the rate equal to the average of the month-end rates for the applicable year.

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Selected consolidated balance sheet

	2007 (1) (in millions of USD)	As at 31 December		2005
		2007	2006	
		(in millions of euros)		
Assets				
Financial assets held for trading	356,511	242,277	205,736	202,055
Financial investments	141,904	96,435	125,381	123,774
Loans and receivables – banks	258,537	175,696	134,819	108,635
Loans and receivables – customers	583,835	396,762	443,255	380,248
Total assets	1,508,601	1,025,213	987,064	880,804
Liabilities				
Financial liabilities held for trading	228,783	155,476	145,364	148,588
Due to banks	352,180	239,334	187,989	167,821
Due to customers	486,113	330,352	362,383	317,083
Issued debt securities	257,505	174,995	202,046	170,619
Capitalisation				
Equity attributable to shareholders of the parent company	43,520	29,575	23,597	22,221
Equity attributable to minority interests	1,669	1,134	2,298	1,931
Subordinated liabilities	22,979	15,616	19,213	19,072
Group capital	68,168	46,325	45,108	43,224
Per share financial data				
Ordinary shares outstanding (in millions)	–	1,844.1	1,853.8	1,877.9
Equity attributable to shareholders of the parent company per ordinary share (in EUR)	–	16.04	12.73	11.83
Equity attributable to shareholders of the parent company per American Depositary Share (in USD) (2)	–	23.60	16.78	14.00

(1) Solely for your convenience, euro amounts have been translated into US dollars at an exchange rate of 1 USD = EUR 0.6796, which is the year-end rate for 2007.

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

Selected ratios (1)

	At or for the year ended 31 December		
	2007	2006	2005
	(in percentages)		
Profitability ratios			
Net interest margin (2)	0.9	0.9	0.9
Non-interest income to total operating income	60.1	66.1	63.6
Efficiency ratio (3)	83.5	79.1	74.9
Return on average total assets (4)	1.04	0.58	0.61
Return on average ordinary shareholders equity (5)	38.4	20.7	23.5
Capital ratios			
Average ordinary shareholders equity on average total assets	2.68	2.75	2.47
Dividend payout ratio (6)	10.9	46.0	45.3
Tier 1 Capital ratio (7)	12.42	8.45	10.62
Total Capital ratio (7)	14.61	11.14	13.14
Credit quality ratios			
Provision for loan losses to private sector loans (8)	0.64	0.45	0.22
Provision for loan losses to private and public sector loans (8)	0.63	0.43	0.22
Non-performing loans to private sector loans (gross) (8) (9)	1.44	2.31	1.72
Non-performing loans to private and public sector loans (gross) (8) (9)	1.41	2.23	1.68
Allowance for loan loss to private sector loans (8)	1.13	1.15	1.09
Allowance for loan loss to private and public sector loans (8)	1.10	1.11	1.06
Allowance for loan losses to non-performing loans (gross) (9)	78.16	50.03	63.07
Write-offs to private sector loans (gross) (8)	0.52	0.36	0.39
Write-offs to private and public sector loans (gross) (8)	0.51	0.35	0.38
Consolidated ratio of earnings to fixed charges			
Excluding interest on deposits (10)	1.23	1.44	1.85
Including interest on deposits (10)	1.08	1.17	1.27

(1) According to IFRS the income statement figures of 2006 and 2005 are restated for the qualifying discontinued operations. The 2007 balance sheet figures of 2006 and 2005 are not restated. As a result the applicable ratios throughout the years are therefore not comparable.

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

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

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

(5) Net profit attributable to Ordinary shares as a percentage of average ordinary shareholders' equity excluding the reserves with respect to cash flow hedges and available for sale securities.

(6) Dividend per Ordinary share as a percentage of net profit per Ordinary share.

(7) Tier 1 capital and total capital as a percentage of risk-weighted assets under Bank for International Settlements guidelines. For more information on ABN AMRO's capital ratios, see page 29.

(8) Excludes professional transactions (2007: EUR 98 billion; 2006: EUR 94 billion; 2005: EUR 75 billion) because these primarily consist of reverse repurchase agreements with limited credit risk and balances held by multi seller conduits (2007: EUR 29 billion; 2006: EUR 26 billion; 2005: EUR 26 billion).

(9) Non-performing loans are doubtful loans for which there is objective evidence that not all contractually agreed amounts will be collected and for which an allowance for loan losses has been established. For more information

on non-performing loans see pages 274 and further.

(10)

Deposits include banks and total customer accounts.

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GROUP ORGANIZATION STRUCTURE

Organisational structure

The following organisational structure was adopted in January 2006. This structure was used by the Consortium Banks to divide the activities amongst each other:

- seven client BUs
- three global product BUs
- two cross-BU segments
- Group Functions
- Services

The seven client BUs consist of five regional BUs (Netherlands, Europe, North America, Latin America and Asia) and two global client BUs, Private Clients and Global Clients. BU Global Clients overlaps the regional BUs in the segment reporting adopted in 2007.

The three global product BUs (Global Markets, Transaction Banking and Asset Management) support the client BUs by developing and delivering products for all of ABN AMRO's clients globally.

The client BUs are bound together through a cross-BU Consumer Client Segment and a cross-BU Commercial Client Segment.

The Consumer Client Segment comprises the Consumer Banking heads of all ABN AMRO's Client BU's and aims to leverage ABN AMRO's global capabilities by replicating successes, driving synergies, and identifying global consumer initiatives with the ambition for growth as guiding principle.

The Commercial Client Segment encompasses all of ABN AMRO's commercial clients. The Commercial Client Segment coordinates activities across the Client and Product Bus, sharing best practice and the overall strategic framework supporting this essential component of the bank's portfolio.

Group Functions delivers support across the Group in areas ranging from Risk to Finance and from Human Resources to Sustainability.

Services focuses on increasing the operational efficiency through Group-wide consolidation and standardisation.

Please note for the financial results of the Group and each individual BU that the financial results of BU Global Clients, BU Global Markets and BU Transaction Banking are reported in the regional BUs. To align with the management of the business the results of BU Global Clients are reported in the regional BUs as from January 2007. The comparative segment figures of 2006 and 2005 have been restated.

As from 2008, ABN AMRO will be organised into three units each containing the businesses that will ultimately be transferred to the respective Consortium Banks. A fourth unit will contain central functions including the Head Office functions and businesses which are regarded as non-strategic.

Operating and financial review and prospects

For critical accounting policies and changes in accounting rules, refer to the accounting policies section in section 4 (the financial statements).

The following discussion of operating results is based on, and should be read in conjunction with, ABN AMRO's consolidated financial statements. The financial information contained in this review has been prepared in accordance with IFRS as adopted by the EU and issued by the IASB.

This operating and financial review and prospects examines the Group results under IFRS by comparing the results of operations for the years 2007 to 2006 and for 2006 to 2005, highlighting key notes by Business Unit (BU) for each line item. This is followed by a more detailed analysis of the results of operations for each BU, which explains significant variances in profit or losses for the year with reference to the relevant line items.

Consolidation effects of controlled private equity investments

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

Discontinued operations

Antonveneta, BU Asset Management, ABN AMRO North America Holdings ("LaSalle"), ABN AMRO Mortgage Group and Bouwfonds are reported as discontinued operations. BU Asset Management is reported as discontinued operations as of December 2007 due to the planned sale of ABN AMRO's Asset Management activities to Fortis expected to be completed in April 2008. Antonveneta is reported as discontinued operations as of December 2007 due to the sale of Antonveneta which is expected to be effective in the second quarter of 2008. Profits from discontinued operations include the related operating results and if applicable the gain on sale (see note 45 to the financial statements). The comparative income statement figures for the years 2006 and 2005 have been restated in accordance with IFRS. The related assets and liabilities of the discontinued operations are presented as assets/liabilities of businesses held for sale as at 31 December 2007. The comparative figures have not been restated in accordance with IFRS. As at 31 December 2007 also the Private

Equity business is presented as assets/liabilities held for sale. The presentation in the income statement has not been changed compared to previous periods.

Constant foreign exchange rates

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

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

ABN AMRO calculates the comparable constant foreign exchange rate performance by multiplying the local currency volumes over the period to be compared with the average monthly exchange rates during the previous period being compared. For example, the volumes for the year ended 31 December 2007 have been multiplied with the average monthly exchange rates prevailing during 2006 in order to enable comparison with the 2006 results on a constant currency basis.

Group results

The following table sets out selected information relating to the Group for the years ended 31 December 2007, 2006 and 2005 showing the results both under IFRS and excluding the consolidation effect of ABN AMRO's private equity investments.

(in millions of euros)	IFRS			Consolidation effect (1)			Excluding consolidation effect (non-GAAP measure)		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Net interest income	8,352	7,268	6,763	(220)	(342)	(280)	8,572	7,610	7,043
Net fee and commission income	4,275	4,049	3,432	–	–	–	4,275	4,049	3,432
Net trading income	1,276	2,849	2,514	3	(3)	2	1,273	2,852	2,512
Results from financial transactions	1,548	794	1,183	46	15	35	1,502	779	1,148
Share of results in equity accounted investments	271	241	245	1	–	–	270	241	245
Other operating income	1,376	914	808	–	–	(6)	1,376	914	814
Income of consolidated private equity holdings	3,836	5,313	3,637	3,836	5,313	3,637	–	–	–
Operating income	20,934	21,428	18,582	3,666	4,983	3,388	17,268	16,445	15,194
Operating expenses	17,480	16,945	13,913	3,634	4,939	3,366	13,846	12,006	10,547
Operating result	3,454	4,483	4,669	32	44	22	3,422	4,439	4,647
Loan impairment and other credit risk provisions	1,704	1,411	614	–	–	–	1,704	1,411	614
Operating profit before tax	1,750	3,072	4,055	32	44	22	1,718	3,028	4,033
Income tax expense	(48)	366	735	32	44	22	(80)	322	713
	1,798	2,706	3,320	–	–	–	1,798	2,706	3,320

Net operating profit									
Profit from discontinued operations net of tax	8,177	2,074	1,123	–	–	–	8,177	2,074	1,123
Profit for the year	9,975	4,780	4,443	–	–	–	9,975	4,780	4,443
Total assets	1,025,213	987,064	880,804	1,698	4,537	3,477	1,023,515	982,527	877,327
Risk-weighted assets	232,312	280,704	257,854	–	–	–	232,312	280,704	257,854
Full-time equivalent staff (4)	114,423	124,437	106,689	13,168	30,881	27,775	101,255	93,556	78,914
Number of branches and offices (2)(4)	4,296	4,634	3,681	–	–	–	4,296	4,634	3,681
Efficiency ratio (3)	83.5%	79.1%	74.9%	99.1%	99.1%	99.4%	80.2%	73.0%	69.4%

(1) This is the impact per line item of the private equity investments which are required to be consolidated under IFRS. See 'financial statements 2007, Accounting policies'.

(2) This number includes double counting of branches and offices that serve more than one BU. Adjusted for this double counting, the actual number of branches and offices amounts to 4,254 (2006: 4,532; 2005: 3,557).

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

(4) Including numbers from discontinued operations

Results of operations for the years ended 31 December 2007 and 2006

Profit for the year 2007 increased by EUR 5,195 million, or 108.7% to EUR 9,975 million. Profit from continuing operations decreased by EUR 908 million, or 33.6%, to EUR 1,798 million. The major variances year-on-year are: BU Europe (decrease EUR 1,008 million), BU Group Functions (decrease EUR 511 million), BU North America (decrease EUR 90 million), partly offset by BU Netherlands (increase EUR 343 million), Latin America (increase EUR 107 million), BU Asia (increase EUR 146 million), and BU Private Clients (increase EUR 105 million). Profit from discontinued operations net of tax amounted to EUR 8,177 million, up 294.3% reflecting the divestment of ABN AMRO North America Holding Company, which principally consists of the retail and commercial activities of LaSalle Cooperation (LaSalle), the divestment of ABN AMRO Mortgage Group, Inc., the divestment of Bouwfonds' property management and development activities, the classification of Antonveneta and the classification of BU Asset Management as discontinued operations. Profits from discontinued operations include the related operating results and if applicable the gain on sale.

Operating income

Operating income decreased by EUR 494 million, or 2.3%, to EUR 20,934 million (non-GAAP: operating income increased by EUR 823 million or 5.0%). This relates primarily to the increases of operating income in BU Latin America (EUR 1,114 million), BU Asia (EUR 559 million), and BU Netherlands (EUR 350 million), partly offset by decreases in BU Europe (EUR 1,340 million) and Group Functions (EUR 1,386 million, excluding the consolidation effect (non-GAAP measure: decrease EUR 69 million)) the individual lines that make up operating income are discussed below.

Key notes:

- The increase in BU Latin America was driven by continued strong growth in the Brazil loan portfolio and gains in the ALM portfolio, as well as gains on the sale of stakes in Brazilian credit analysis provider Serasa, Brazilian stock exchange Bovespa, and Brazilian futures exchange Bolsa de Mercados & Futuros (in total EUR 382 million).
- Operating income in BU Asia increased due to further growth in the consumer clients business as the Preferred Banking activities and credit card business continued to expand, especially in India, China, Hong Kong and Taiwan. In addition, commercial client revenues increased as a result of higher Merger & Acquisition advisory fees, a rise in client transactions executed and higher Global Markets revenues.
- Operating income in BU Netherlands increased due to tax-exempt gains on the sale of Interbank/DMC (EUR 56 million) and ABN AMRO Mellon (EUR 139 million), an increase in net interest income due to volume and margin growth in savings products and higher Global Markets revenues, especially in the areas Financial Markets and Structured Finance.
- Operating income in BU Europe decreased due to negative fair value adjustments (EUR 1,561 million) on portfolios related to the credit crisis that developed from the conditions of the sub-prime mortgage market in the United States. BU Europe includes the global hub for Global Markets and therefore the impact of value adjustments is concentrated in BU Europe. The fair value adjustments were partly offset by EUR 435 million of fair value adjustments from changes in own credit risk of which EUR 267 million is recorded in trading income and EUR 168 millions in results from financial transactions.

Net interest income

Net interest income increased by EUR 1,084 million, or 14.9%, to EUR 8,352 million (non-GAAP: net interest income increased by EUR 962 million or 12.6%). This was mainly due to increases in BU Latin America (EUR 750 million), BU Netherlands (EUR 278 million), BU Europe (EUR 233 million) and BU Asia (EUR 219 million), partly offset by a decrease in Group Functions (EUR 336 million; non-GAAP measure: EUR 458 million).

Key notes:

- Net interest income in BU Latin America increased mainly due to continued growth in the Brazil credit portfolio, the appreciation of the Brazilian real against the Euro, and higher interest-related treasury revenues.
- The increase in BU Netherlands reflects the growth in volumes and margins of commercial and consumer savings products.
- The increase in BU Asia resulted from continued growth in the consumer lending business and credit card business, higher ALM income and the consolidation of Prime Bank and Taitung Business Bank.
- Net interest income in Group Functions decreased due to higher funding costs and lower investment income following sales of AFS bonds.

Net fee and commission income

The following table sets out the net fee and commission income for the Group for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Fee and commission income			
Securities brokerage fees	1,445	1,692	1,529
Payment and transaction services fees	1,602	1,376	1,237
Asset management and trust fees	485	414	243
Fees generated on financing arrangements	279	162	170
Advisory fees	594	484	333
Insurance-related commissions	133	130	136
Guarantee fees	192	159	164
Other fees and commissions	492	454	369
Subtotal	5,222	4,871	4,181
Fee and commission expense			
Securities brokerage expense	86	322	321
Payment and transaction services expense	267	200	165
Other fee and commission expense	594	300	263
Subtotal	947	822	749
Total	4,275	4,049	3,432

Net fee and commission income increased by EUR 226 million, or 5.6%, to EUR 4,275 million, mainly due to an increase in BU Asia (EUR 286 million), and Group Functions (EUR 121 million), partly offset by decreases in BU Netherlands (EUR 121 million) and BU Europe (EUR 121 million).

Key notes:

- The increase in BU Asia reflected the higher Merger & Acquisition advisory fees following the successful closing of client transactions, higher transaction banking revenues, and further growth in the sale of investment products to the Van Gogh Preferred Banking client base.
- The decrease in BU Netherlands is due to a decline in securities commissions and commissions related to large corporate clients, partly offset by higher payment and asset management commissions (decrease EUR 121 million).

Net trading income

The following table sets out the net trading income for the Group for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Interest instruments trading	(1,222)	1,103	1,360
Foreign exchange trading	976	706	393
Equity and commodity trading	1,462	1,054	612
Other	60	(14)	149
Total	1,276	2,849	2,514

Net trading income decreased by EUR 1,573 million, or 55.2%, to EUR 1,276 million (non-GAAP: EUR 1,579 million to EUR 1,273 million), mainly due to a decrease in BU Europe (EUR 1,565 million) and in Group Functions (EUR 204 million; non-GAAP measure: EUR 210 million).

Key notes:

- The decrease in BU Europe was due to negative fair value adjustments (EUR 1,561 million) relating to the credit crisis that developed from the conditions of the sub-prime mortgage market in the United States (partially offset by EUR 267 million of income recorded related to changes in own credit risk.) BU Europe includes the global hub for Global Markets and therefore the impact of adjustments was concentrated in BU Europe offsets against own credit risk of EUR 267 million. .
- The decrease of net trading income in Group Functions is mainly due to lower proprietary trading income in the Global Market business.

Results from financial transactions

The following table sets out the results from financial transactions for the Group for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Net gain from the disposal of available-for-sale debt securities	278	485	431
Net gain from the sale of available-for-sale equity investments	321	70	49
Net gain on fair value changes in own credit risk	168	–	–
Dividend on available-for-sale equity investments	16	32	19
Net gain on other equity investments	669	435	468
Hedging ineffectiveness	(4)	65	30
Fair value change of credit default swaps	116	(280)	(51)
Other	(16)	(13)	237
Total	1,548	794	1,183

Results from financial transactions increased by EUR 754 million, or 95.0%, to EUR 1,548 million (non-GAAP measure: by EUR 723 million or 92.8%). The increase was mainly due to increases in Group Functions (EUR 262 million; non-GAAP measure: EUR 231 million) and BU Latin America (EUR 382 million).

Key notes:

-BU Latin America benefited from gains in the ALM portfolio and gains on sale of stakes in Serasa, a credit analysis provider, the Brazilian stock exchange Bovespa, and the Brazilian futures exchange Bolsa de Mercadorias & Futuros in total a EUR 382 million increase.

-The results from financial transactions of Group Functions increased in total EUR 262 million due to market-to-market gains on capital and risk hedging (credit default swap portfolio) that benefited from the general widening of the credit spreads that occurred throughout the year and gains from changes in fair value related to own credit risk of EUR 115 million, partly offset by decreased gains on sales of AFS bonds.

Share of result in equity accounted investments

Share of result in equity accounted investments increased by EUR 30 million to EUR 271 million (non-GAAP measure: EUR 29 million), mainly due to the increase at Group Functions (EUR 22 million; non-GAAP measure: EUR 21 million).

Other operating income

The following table sets out the Group's results from other operating income for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Insurance activities	95	90	153
Leasing activities	82	61	60
Disposal of operating activities and equity accounted investments	951	453	348
Other	248	310	247
Total	1,376	914	808

Other operating income increased by EUR 462 million, or 50.5%, to EUR 1,376 million, mainly due to increases at Group Functions (EUR 226 million), BU Netherlands (EUR 153 million) and BU Private Clients (EUR 93 million).

Key notes:

- The increase in Group Functions was mainly due to the sale of Capitalia whose shares were settled in exchange for shares in Unicredit, resulting in a gain of EUR 624 million.
- The increase in BU Netherlands was due to the gains on sale of Interbank/DMC (EUR 56 million) and ABN AMRO Mellon (EUR 139 million) realised in 2007.
- The increase in Private Clients was due to the gain on sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios in Switzerland and Luxembourg (EUR 77 million).

Income of consolidated private equity holdings

Income from consolidated private equity holdings decreased by EUR 1,477 million, or 27.8%, to EUR 3,836 million, due to the transfer of the management of most of the businesses from Private Equity to an independent management company. As a result of the structural change in control, the results from the portfolio of investments managed by the independent management company are no longer consolidated as of 1 July 2007 but instead changes in fair value are shown within results from financial transactions as a net gain on other equity investments.

Operating expenses

Operating expenses increased by EUR 535 million, or 3.2%, to EUR 17,480 million (non-GAAP measure: increase of expenses of EUR 1,840 million, or 15.3%, to EUR 13,846 million), due to the increases in operating expenses in BU Latin America (EUR 496 million), BU Asia (EUR 384 million). The increases were partly offset by Group Functions

(decrease of operating expenses of EUR 370 million; non-GAAP measure: increase of EUR 935 million).

In 2007, EUR 24 million of restructuring costs were released, compared with a charge of EUR 207 million in 2006 (of which EUR 174 million in continuing operations and EUR 25 million net in discontinuing operations). In 2007, EUR 272 million (of which EUR 249 million in continuing operations and EUR 17 million net in discontinuing operations) of accelerated vesting of share-based payment plans were recorded. The accelerated vesting of share-based payment plans was a result of the acquisition of ABN AMRO by the consortium banks.

Key notes:

- The decrease in Group Functions was caused by a decline in the operating expenses of consolidated private equity investments due to the change in control. On a non-GAAP basis the increase (EUR 935 million) was due to the break-up fee paid to Barclays (EUR 200 million), transaction-related advisory fees (EUR 211 million), transition and integration costs due to the takeover by the Consortium (EUR 95 million), the provision for the US Department of Justice investigation (EUR 365 million), and the costs of accelerated vesting of share-based payments (EUR 117 million) recorded in Group Functions.
- Operating expenses in BU Latin America were impacted by a new collective labour agreement that came into effect in September 2007, higher bonus accruals, strong growth in business activities, and investments in the expansion of the distribution infrastructure in Brazil.
- The expenses in BU Asia increased due to the acquisition of Prime Bank and Taitung Business Bank, continued investments in new branches and higher staff levels.

Loan impairment and other credit risk provisions

Loan impairment and other credit provisions increased by EUR 293 million to EUR 1,704 million. The provisioning level increased in BU Latin America (EUR 244 million), BU North America (EUR 66 million), BU Europe (EUR 64 million), BU Netherlands (EUR 54 million), partly offset by lower provisions in Group Functions (decrease EUR 144 million).

Key notes:

- Continued strong loan growth in BU Latin America resulted in higher loan impairment and other credit risk provisions (increase EUR 244 million).
- Loan impairment and other credit risk provisions increased in BU North America (EUR 66 million) and BU Europe (EUR 64 million) following the lower level of releases than in the prior year and a change in the credit cycle.
- Provisions in BU Netherlands increased (EUR 54 million) as a result of impairment of facilities to a selected number of corporate clients.
- Provisions in Group Functions decreased (EUR 144 million) as 2006 included an impairment for the Futures business which was sold to UBS.

Effective tax rate

The overall (continued and discontinued businesses) effective tax rate for 2007 was 2.7% versus 11.9% in 2006 (non-GAAP: for 2007 was 4.7% versus 10.6% in 2006). Included in 2007 were significant tax-exempt gains on disposals, including the gain of sale on Capitalia (EUR 624 million, net 617 million), a lower corporate tax rate in the Netherlands, tax credits in some countries as well as substantial releases of tax liabilities resulting from the finalisation of prior-year tax returns and conclusions on a number of additional items.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax increased EUR 6,103 million to EUR 8,177 million and included the following:

- The sale of ABN AMRO Mortgage Group, Inc., the US-based residential mortgage broker origination platform and residential mortgage servicing business, recording a result of EUR 110 million (net of tax results for the first two months and a gain on sale) in BU North America. This sale was announced by the Group on 22 January 2007. The settlement took place on 28 February 2007.
- The sale of ABN AMRO North America Holding Company, which principally consists of the retail and commercial activities of LaSalle Bank Cooperation (LaSalle) in BU North America. The net of tax results for the first nine months were EUR 777 million, and the gain on sale amounted to EUR 7,163 million, of which EUR 7,196 million was booked in the results of the BU North America and minus EUR 33 million in Group Functions. This sale was announced by the Group on 22 April 2007. The settlement took place on 1 October 2007.
 - The classification as discontinued operations of Antonveneta (EUR 111 million losses).
 - The classification as discontinued operations of BU Asset Management (EUR 186 million profit).
- The release of part of a provision recorded in connection with the sale of Bouwfonds in 2006 (EUR 52 million).

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

Profit for the year 2006 increased by EUR 337 million, or 7.6%, to EUR 4,780 million. Profit from continuing operations decreased by EUR 614 million, or 18.5%, to EUR 2,706 million. This decrease reflected a mixed performance across the BUs. The major variances year-on-year were increases of results of operations in BU Latin America (EUR 66 million), BU Netherlands (EUR 82 million) and decreases of results of operations in BU North America (EUR 290 million), BU Asia (EUR 190 million), BU Europe excluding Antonveneta (EUR 151 million) and BU Group Functions (EUR 147 million). Profit from discontinued operations net of tax amounted to EUR 2,074 million, reflecting the divestment of the property development and management activities of Bouwfonds, the classification of Antonveneta and BU Asset Management as businesses held for sale, the disposal of ABN AMRO Mortgage Group, Inc. and the disposal of ABN AMRO North America Holding Company, which principally consists of the retail and commercial activities of LaSalle Cooperation (LaSalle). Profits from discontinued operations include the related operating results and applicable gain on the sale.

Operating income

Operating income increased by EUR 2,846 million, or 15.3%, to EUR 21,428 million (non-GAAP: operating income increased by EUR 1,251 million or 8.2%). This mainly relates to the increases of operating income of BU Group Functions (EUR 1,688 million, non-GAAP measure: decrease EUR 9 million), BU Europe (EUR 192 million; excluding the consolidation effect (non-GAAP): EUR 294 million), BU Latin America (EUR 714 million) and BU Asia (EUR 283 million).

Key notes:

- The increase in Group Functions was caused by higher operating income from consolidated private equity investments.
- Excluding the consolidation effect (non-GAAP measure), operating income in BU Europe increased primarily on the back of higher Global Markets income, as client income grew strongly.
- The increase in BU Latin America was mainly due to the continued growth in the retail and consumer finance loan portfolio, partly offset by the inclusion in 2005 of the book profit on the sale of Real Seguros (EUR 229 million).
- BU Asia grew its revenue as its Preferred Banking activities and credit card business continued to expand, especially in India, China, Hong Kong and Taiwan.

Net interest income

Net interest income increased by EUR 505 million, or 7.5%, to EUR 7,268 million, mainly due to increases in BU Latin America (EUR 725 million) and BU Europe (EUR 480 million; non-GAAP: EUR 408 million), partly offset by decreases in BU Netherlands (EUR 443 million) and BU Group Functions (EUR 201 million; non-GAAP: EUR 67 million).

Key notes:

- Net interest income in BU Latin America increased mainly due to the continued growth of the Brazil credit portfolio.
- The decrease in BU Netherlands reflected the fact that mortgage prepayment penalty income was affected by higher offsetting transactions in 2006.
- Net interest income in Group Functions decreased due to higher interest expenses from consolidated private equity investments. Excluding the consolidation effect (non-GAAP measure), net interest income decreased by EUR 67 million.

Net fee and commission income

Net fee and commission income increased by EUR 617 million, or 18.0%, to EUR 4,049 million, mainly due to an increase in BU Asia (EUR 267 million), BU Latin America (EUR 119 million), BU Netherlands (EUR 97 million) and BU Private Clients (EUR 83 million).

Key notes:

- The increase in BU Asia reflected the higher asset under administration levels, the higher fee levels on existing products and a further shift in the asset mix towards more profitable products.
- Net fees and commission income in BU Netherlands increased by EUR 97 million, resulting from higher commission on banking transactions, securities and asset management.

Net trading income

Net trading income increased by EUR 335 million, or 13.3%, to EUR 2,849 million, mainly due to increases in BU Latin America (EUR 163 million), BU Asia (EUR 144 million) and BU Netherlands (EUR 88 million), partly offset by a decrease in BU North America (EUR 90 million).

Key notes:

- The increase of net trading income in BU Latin America (EUR 163 million) was mainly due to the growth of commercial banking in Brazil of client-related trading income.
- Net trading income increased in BU Asia resulting from higher equity finance income in Hong Kong and Taiwan.
- The increase in BU Netherlands was mainly due to higher results on the sale of derivatives.
- The decrease in BU North America (EUR 90 million) was mainly due to lower trading results Global Markets.

Results from financial transactions

Results from financial transactions decreased by EUR 389 million, or 32.9%, to EUR 794 million, mainly due to decreases of results from financial transactions in Group Functions (EUR 353 million; non-GAAP: EUR 379 million) and BU Asia (EUR 85 million), partly offset by the increase of results from financial transactions in BU Netherlands (EUR 167 million).

Key notes:

- Decrease in Group Functions is mainly due to lower results on the sale of bonds and losses on credit default swaps due to tightening spreads, while 2005 included results on option position on Antonveneta.
- Results from financial transactions in BU Asia decreased mainly because of lower Global Client results from financial transactions.

Share of result in equity accounted investments

Share of result in equity accounted investments decreased by EUR 4 million to EUR 241 million, mainly due to Group Functions (EUR 47 million) because of lower results from ABN AMRO's interest in Antonveneta, which was consolidated in 2006, and Kereskedelmi és Hitelbank Rt., which was sold in 2006, partly offset by a higher contribution from ABN AMRO's investment in Capitalia.

Other operating income

Other operating income increased by EUR 106 million, or 13.1%, to EUR 914 million, mainly due to the Group Functions (increase EUR 445 million; non-GAAP: increase EUR 439 million), partly offset by BU Latin America (decrease EUR 320 million).

Key notes:

- The increase in Group Functions was due to the gain on sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million) and the gain on sale of the Futures business (EUR 229 million).
- The decrease in BU Latin America was mainly due to the inclusion of the gain (EUR 229 million) on the sale of Real Seguros in 2005.

Income from consolidated private equity holdings

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

Operating expenses

Operating expenses increased by EUR 3,032 million, or 21.8%, to EUR 16,945 million (non-GAAP: plus EUR 1,459 million, or 13.8%, to EUR 12,006 million), mainly due to increase of operating expenses Group Functions (EUR 2,004 million; non-GAAP: EUR 327 million), BU Europe (EUR 263 million; non-GAAP: EUR 367 million), BU Latin America (EUR 396 million), BU Asia (EUR 290 million) and BU North America (EUR 138 million), partly offset by lower operating expenses in BU Netherlands (EUR 92 million). In 2006, EUR 137 million restructuring charge was recorded for in relation to the services and IT alignment initiatives and reflected in BU Netherlands, BU North America, BU Latin America and BU Europe.

Key notes:

- The increase in Group Functions was caused by higher operating expenses of consolidated private equity investments and due to the inclusion of a release of post-retirement healthcare benefit provision (EUR 392 million) in 2005.
- Excluding the consolidation effect (non-GAAP measure) operating expenses in BU Europe increased mainly due to restructuring charges of EUR 68 million restructuring from Global Markets and Services, an increase in expenses linked to the growth in operating income, higher bonus expenses and higher costs for compliance related to Sarbanes-Oxley Act and other regulations.

-Operating expenses increased in growth markets in BU Latin America and BU Asia including branch openings and marketing campaigns. Operating expenses in BU Latin America were also impacted by a stronger

- Brazilian real and the collective labour agreements that came into effect in September 2005 and September 2006.
- BU Netherlands continued to benefit from strict cost control measures, resulting in lower staff costs.

Loan impairment and other credit risk provisions

Loan impairment and other credit provisions increased by EUR 797 million to EUR 1,411 million. The provisioning level was substantially higher as provisioning for consumer loan portfolios went up in the BU Latin America (increase EUR 372 million) and the BU Asia (increase EUR 178 million).

Key notes:

- Higher loan impairment and other credit risk provisions in BU Latin America were due to the increase in absolute consumer loan volumes and higher delinquencies.
- The increase in BU Asia mainly reflects higher provisioning for credit card receivables in Taiwan, where the banking industry was significantly impacted by an increase in credit card defaults.

Effective tax rate

The overall effective tax rate for 2006 was 11.9% versus 18.1% in 2005. Included in 2006 are tax credits, tax charges due to changes in the tax law and tax-exempt gains which exceeded the 2005 tax rate levels, as well as changes in tax rates.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax increased to EUR 2,074 million in 2006 from EUR 1,123 million in 2005.

Profit from discontinued operations net of tax of EUR 2,074 million in 2006 included:

- On 1 December 2006, the Group disposed of the property development and management activities of Bouwfonds, resulting in profits of EUR 505 million in BU Netherlands, EUR 338 million of which related to the net gain on the sale and EUR 167 million of which related results of operations.
- On 22 January 2007, the Group announced the sale of ABN AMRO Mortgage Group, Inc., ABN AMRO's US-based residential mortgage broker origination platform and residential mortgage servicing business recording a result of EUR 104 million in BU North America. The settlement took place on 28 February 2007.
- On 22 April 2007, the Group announced the sale of ABN AMRO North America Holding Company which principally consists of the retail and commercial activities of LaSalle Bank Cooperation (LaSalle) which recorded (EUR 1,104 million) in results of operations in BU North America and minus EUR 85 million in Group Functions. The settlement took place on 1 October 2007.
- The classification as discontinued operations of Antonveneta (EUR 192 million).
- The classification as discontinued operations of BU Asset Management (EUR 254 million).

Profit from discontinued operations net of tax of EUR 1,123 million in 2005 was due to the classification as discontinued operations of Bouwfonds (EUR 136 million) in BU Netherlands; the ABN AMRO Mortgage Group, Inc. (EUR 51 million) in BU North America; the ABN AMRO North America Holding Company which principally consists of the retail and commercial activities of LaSalle Bank Cooperation in BU North America (EUR 811 million) and in BU Group Functions (minus EUR 64 million); and the asset management business (EUR 189 million) in BU Asset Management.

Impact of the Current Credit Environment on the Group's Financial Position and Results of Operations

US residential mortgage related exposures

The Group is involved in investing in financial instruments, including asset-backed securities (ABSs) and other structured investments, backed by US residential mortgages and other collateral with exposure to the current US credit environment. Please refer to paragraph 'Risk factors' on page 60.

The following table provides an overview of the main US residential mortgage related exposures at 31 December 2007 in the trading book:

(in millions of euros)	Exposure	Fair Value adjustment through income	Net exposure
Retained Asset-Backed Securities CDOs:			
Super Senior Tranches	2,487	499	1,988
Equity / Mezzanine Tranches	290	290	-
Asset-Backed Securities Trading Inventory:			
Prime RMBS	280	56	224
Sub-Prime RMBS	98	48	50
ABS CDOs	68	62	6
Total	3,223	955	2,268

Wherever possible, the Group values all ABS positions using market prices. However, following rising mortgage delinquencies and expectations of declining house prices in the US, illiquidity in the market has meant that market data in this area has been increasingly difficult to source.

In line with our policy on fair value determination, where quoted market prices and recent market transactions are not available, valuation techniques are employed that involve benchmarking against market prices for similar instruments or the use of valuation models, giving priority to observable market inputs where available.

Retained Asset-Backed Securities CDOs

The Group is involved in buying mortgage-backed securities; including securities backed by US mortgages, and repackaging them into collateralised debt obligations (CDOs) for subsequent sale to investors. As a result of worsening credit conditions, the Group has retained the exposure to the super senior tranches of US related ABS CDOs.

At 31 December 2007, the Group's net exposure to unsold tranches of US related ABS CDOs totalled EUR 1,988 million to high grade CDOs, which include commercial loan collateral as well as prime and sub-prime mortgage collateral.

Throughout the second half of 2007, significant subjectivity arose in the valuation of US related CDOs due to growing illiquidity in the market and as a result, ABN AMRO moved to a model-based valuation approach. The balance sheet valuations of the super senior tranches of ABS CDOs take into consideration outputs from a proprietary model and market data. The model forecasts the expected cash flows of the underlying mortgages using assumptions about

future macroeconomic conditions (including house price appreciation and depreciation) and delinquencies on these underlying mortgages derived from publicly available data.

The resulting cash flows are discounted using a risk adjusted rate. Additionally, prices implied by the model have been evaluated against observable market data, such as the ABX index, a series of credit default swaps based upon bonds that consist of sub-prime mortgages.

Mezzanine and equity tranches of the US ABS CDOs have been written down to zero.

Further analysis of the Group's super senior tranche exposure is provided below:

Exposure (in millions of euros)	2,487
Weighted average attachment point	28%
% underlying RMBS sub-prime assets	77%
Collateral by rating:	
- investment grade	99%
- non-investment grade	1%
Net exposure (in millions of euros)	1,988
Effective weighted average attachment point post fair value movement	42%

Approximately 5% of ABN AMRO's positions in high grade ABS CDOs refer to mortgage loans of vintage 2005 and earlier, whilst 95% refer to 2006 and 2007 vintages. At 31 December 2007, 99% of these securities were investment grade.

Asset-Backed Securities Trading Inventory

There is a further net exposure of EUR 280 million to US residential mortgages through a trading inventory of residential mortgage-backed securities (RMBS) and ABS CDOs. The majority of this exposure relates to prime RMBS. Trading book exposures are marked to market using individual market prices, where available, or against market benchmarks.

Available-For-Sale Asset-Backed Securities

Within our available-for-sale assets are prime RMBS and high grade ABS CDOs with gross exposure to the US market in the amounts of EUR 159 million and EUR 1,988 million respectively. Since these assets are classified as available-for-sale, fair value movements of EUR 165 million are recognised directly in equity within unrealised gains and losses. If there are impairments to these assets, the cumulative gain or loss is transferred to income. At 31 December 2007, none of these assets were considered to be impaired.

Exposure to financial guarantors

Towards the end of 2007, monoline financial guarantors were adversely affected by their exposure to the US sub-prime mortgage market. At 31 December 2007 the Group had a gross direct exposure of EUR 1,632 million mainly relating to credit default swaps (CDSs) and high grade ABS CDOs. Against this amount a credit valuation adjustment of EUR 606 million has been taken of which EUR 379 million relates to non-investment grade financial guarantors.

Additionally, ABN AMRO has an indirect exposure to financial guarantors through financial guarantees (or 'wraps'), purchased or embedded within various securities in the trading and available-for-sale portfolios. The valuation of these securities at 31 December 2007 was largely dependant on the underlying asset quality, rather than the enhancement offered by the embedded guarantee.

Other Portfolios Affected by the Current Credit Environment

The Group's leveraged finance inventory, which is held at amortised cost, totalled EUR 2,457 million at 31 December 2007. Under normal market circumstances, these positions would have been syndicated, but are being retained in the loan book until market conditions become more favourable. These exposures have been assessed as not impaired.

The Group also originates commercial mortgages, predominately in the UK, Germany and France that in normal market circumstances would be considered for distribution. The holding of such mortgages totalled EUR 5,878 million at 31 December 2007. These exposures have been assessed as not impaired.

The Group also purchases portfolios of UK residential mortgages that are held at fair value. These mortgages are generally purchased at a discount and consist of non-conforming loans. Under normal market conditions, these loans would be subject to onward distribution. The holding of such mortgages totalled EUR 1,569 million at December 2007.

Movements in Own Credit

For the year ended 31 December 2007, ABN AMRO recorded a gain of EUR 435 million including EUR 267 million in net trading income and EUR 168 million in results on financial transactions from changes in the fair value of financial liabilities designated at fair value attributable to changes in ABN AMRO's own credit risk. The change in fair value applies to those financial liabilities designated at fair value where ABN AMRO's own credit risk would be considered by market participants and excludes instruments for which it is established market practice not to include an entity-specific adjustment for own credit. The fair value change was calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

Group capital

The following table shows ABN AMRO's capital at 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Ordinary share capital	1,085	1,085	1,069
Ordinary share premium reserves	5,332	5,245	5,269
Treasury shares	(2,640)	(1,829)	(600)
Retained earnings	25,650	18,599	15,237
Net gains/(losses) not recognised in the income statement	148	497	1,246
Equity attributable to shareholders of the parent company	29,575	23,597	22,221
Minority interests	1,134	2,298	1,931
Equity	30,709	25,895	24,152
Subordinated liabilities	15,616	19,213	19,072
Group capital	46,325	45,108	43,224

Group capital at year-end 2007 was EUR 46,325 million, an increase of EUR 1,217 or 2.7%, compared with

2006. The increase of EUR 5,978 million, or 25.3% in equity attributable to shareholders of the parent company is mainly due to an increase in retained earnings and partially offset by an increase in treasury shares.

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

The 2007 full-year addition to reserves resulting from profit attributable to the shareholders of the parent company less dividends paid was EUR 7,722 million (2006: EUR 3,252 million).

The movements in net gains/(losses) not recognised in the income statement include the net movement in the reserve for available-for-sale assets consisting of net unrealised losses in available-for-sale assets of EUR 392 million (2006: EUR 233 million) and net realised gains reclassified to the income statement of EUR 515 million (2006: EUR 602 million). The net movement in the cash flow hedge reserve consisted of the net unrealised gains on cash flow hedges of EUR 315 million (2006: EUR 735 million) and the realised losses reclassified to the income statement of EUR 54 million (2006: losses of EUR 215 million). Share-based payments grants resulted in a credit to equity of EUR 145 million including taxes (2006: EUR 111 million) .. The exercise of staff options resulted in a credit to equity of EUR 624 million (2006: EUR 143 million). The settlement of share options and awards in cash, as a result of the acquisition of ABN AMRO by the consortium banks, resulted in a debit to equity of EUR 743 million.

The number of ordinary shares outstanding, minus treasury shares, at the end of 2007 decreased by 9.7 million to 1,844.1 million. This decrease was the result of 55.5 million ordinary shares acquired from share buy backs, offset 27.6 million ordinary shares issued resulting from exercise of staff options offset and 18.2 million ordinary shares final stock dividend 2006 issued at an average price of EUR 35.61.

The number of ordinary shares outstanding, minus treasury shares, at the end of 2006 decreased by 24.1 million to 1,853.8 million. This decrease was the result of a 32.8 million ordinary shares final stock dividend 2005 issued at an average price of EUR 21.30, a 30.5 million ordinary shares 2006 interim dividend at an

average price of EUR 23.40, 8.5 million shares issued due to the exercise of staff options during 2006 and share buy-backs of 95.9 million ordinary shares.

The EUR 1,164 million decrease of minority interests in 2007 is explained by net reductions and disposals of EUR 1,026 million, EUR 38 million currency translation losses and profit attributable to minority interest of EUR 127 million.

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

In 2007, subordinated liabilities decreased by EUR 3,597 million (2006: increase EUR 141 million) to EUR 15,616 million (2006: EUR 19,213 million). The decrease in 2007 is a result of the sale of LaSalle (EUR 1,487 million), currency translation losses (EUR 848 million), reclassifications to liabilities of businesses held for sale (EUR 1,090 million), issuances (EUR 1,496 million) and redemptions (EUR 1,537 million). Issuances in 2007 include: USD 1 billion (EUR 768 million) floating rate lower tier-2 due 2017, non callable before 2012; BRL 550 million (EUR 197 million) floating rate lower tier-2 due 2013 and 2014; and BRL 885 million (EUR 329 million) floating rate lower tier-2 due 2014. Redemptions were EUR 1,537 million and include a USD 750 million (EUR 555 million) 7.125% note issued in 1977, a NLG 750 million (EUR 340 million) 6% note issued in 1997, a NLG 500 million (EUR 227 million) 8.25% note issued in 1992 and a EUR 200 million note issued in 1997.

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

Credit ratings

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

	2007		2006	
	Long term	Short term	Long term	Short term
Standard & Poor's	AA-	A-1+	AA-	A-1+
Moody's	AA2	P-1	Aa3	P-1
Fitch	AA-	F1+	AA-	F1+
DBRS	AA	R-1	AA	R-1

Capital ratios

ABN AMRO applies capital adequacy ratios based on the Bank for International Settlements' guidelines and Dutch Central Bank directives. These ratios compare ABN AMRO's capital with its assets and off-balance sheet exposure, weighted according to the relative risk involved. Capital is also set aside for market risk associated with ABN AMRO's trading activities. The minimum tier-1 ratio required is 4% and the minimum total capital ratio is 8%. ABN AMRO comfortably meets these standards with a tier-1 ratio of 12.42% (2006: 8.45%), of which the core tier-1 ratio is 10.59% (2006: 6.18%), and a Bank for International Settlements total capital ratio of 14.61% (2006:11.14%) as at 31 December 2007.

The total capital base increased by 8.5% (2006: decreased by 7.7%) to EUR 33.9 billion at 31 December 2007

(2006: EUR 31.3 billion). Risk-weighted assets amounted to EUR 232.3 billion at year-end 2007 (2006: EUR 280.7 billion), a decrease of EUR 48.4 billion (2006: EUR 22.9 billion), or 17.2%, (2006: 11.3%) from the end of the previous year. Securitisation programs in 2007 increased by EUR 35.5 billion (2006: EUR 23.6 billion) to a total of EUR 124.6 billion (2006: EUR 89.1 billion).

The following table analyses ABN AMRO's capital ratios at 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Tier 1 capital	28,850	23,720	27,382
Tier 2 capital	9,383	9,372	9,851
Tier 3 capital	272	272	272
Supervisory deductions	(4,567)	(2,089)	(3,631)
Total capital base	33,938	31,275	33,874
Risk-weighted assets on balance	172,059	208,948	192,735
Off-balance	53,611	67,675	59,107
Market risks	6,642	4,081	6,012
Total risk-weighted assets	232,312	280,704	257,854
Tier 1 capital ratio	12.42%	8.45%	10.62%
Total capital ratio	14.61%	11.14%	13.14%

Offices and branches

At 31 December 2007, the Group operated 665 offices and branches in the Netherlands (2006: 664) and 3,631 offices and branches (2006: 3,868) in 55 other countries and territories (2006: 55). Of these offices and branches, 17 (2006: 449) were in North America, 2,212 (2006: 2,154) in Latin America and the Caribbean, 1,155 (2006: 1,144) were in Europe, 10 (2006: 8) were in the Middle East and Africa and 237 (2006:113) were in the Asia Pacific Region. Approximately 50% (2006: 48%) of the offices and branches are owned (based on square metres) and the remainders are under lease agreements.

RESULTS OF OPERATIONS BY BU

Changes to reporting structure and presentation

The results of operations for the years ended 31 December 2006 and 2005 reflect the reconstructed results of operations for the years ended 31 December 2006 and 2005 of the BUs assuming the reporting structure applicable in 2007 had been in place during 2006 and 2005.

As of 2007 the results of BU Global Clients are reported in the regional BUs. This approach has been taken to emphasise close cooperation and synergies between BU Global Clients and the regions. The results of Private Equity are included in Group Functions (previously Private Equity was reported separately). The results of International Diamond & Jewelry group are included in Group Functions (previously included in BU Private Clients). The results of Asset Management France are included in BU Asset Management (previously included in BU Private Clients). These changes are a reflection of the way the business was managed in 2007. The comparative figures of 2006 and 2005 have been restated to reflect these changes.

BU Netherlands

BU Netherlands employs approximately 21,900 full time equivalents and serves its consumer and commercial clients through a network of bankshops, advisory branches, dedicated mid-market corporate client units and large-corporate client units. BU Netherlands also operates via ATMs, integrated call centres, and internet and mobile channels.

Selected information

The table sets out selected information relating to BU Netherlands, for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros)	2007	2006	2005
Net interest income	3,399	3,121	3,564
Net fee and commission income	885	1,006	909
Net trading income	704	539	451
Results from financial transactions	33	167	0
Share of result in equity accounted investments	60	51	13
Other operating income	399	246	187
Operating income	5,480	5,130	5,124
Operating expenses	3,525	3,540	3,632
Operating result	1,955	1,590	1,492
Loan impairment and other credit risk provisions	406	352	268
Operating profit before tax	1,549	1,238	1,224
Income tax expense	249	281	349
Net operating profit	1,300	957	875
Profit from discontinued operations net of tax	52	505	136
Profit for the year	1,352	1,462	1,011
Total assets	223,067	206,295	201,641
Risk-weighted assets	95,990	81,227	83,675

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Full-time equivalent staff	21,932	22,213	22,769
Number of branches and offices	643	643	683
Efficiency ratio (in %)	64.3%	69.0%	70.9%

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Results of operations for the years ended 31 December 2007 and 2006

Profit for the year decreased by EUR 110 million, or 7.5%, to EUR 1,352 million. Net operating profit from continuing operations increased by EUR 343 million, or 35.8%, to EUR 1,300 million, as the result of an increase of EUR 350 million in operating income, a decrease of EUR 15 million in operating expenses and a decrease of EUR 31 million in income tax expenses, partly offset by an increase of EUR 53 million in loan impairment and other credit risk provisions. Profit from discontinued operations net of tax declined by EUR 453 million, or 89.7%, to EUR 52 million.

Operating income

Operating income grew by EUR 350 million or 6.8% to EUR 5,480 million. This mainly increase was due to the gains on sale of Interbank/DMC and ABN AMRO Mellon, an increase in net interest income and higher revenues in Global Markets products, partly offset by lower commissions related to large corporate clients.

- Net interest income increased by EUR 278 million, or 8.9%, driven by healthy loan growth, increases in savings volumes, and improved margins on savings products, partly offset by pressure on loan margins in an increasingly competitive market. Lower prepayment penalties were offset by lower losses on unwinding transactions.
- Net fee and commission income decreased by EUR 121 million, or 12.0%, due to a decline in securities commissions and commissions related to large corporate clients, partly offset by higher payment and asset management commissions. Net trading income and results from financial transactions increased by EUR 31 million, or 4.4%, reflecting favourable market circumstances.
- Other operating income increased by EUR 153 million, or 62.2%, mainly due to the tax-exempt gains on the sales of Interbank N.V., DMC Groep N.V. (total EUR 56 million) and ABN AMRO's 50% share in ABN AMRO Mellon Global Securities Services B.V. (EUR 139 million).

Operating expenses

Operating expenses decreased by EUR 15 million, or 0.4%, to EUR 3,525 million reflecting lower administrative expenses (EUR 72 million) as well as lower internal settlement costs for automation, consultancy and commercial expenses (EUR 70 million) partly offset by higher performance-related bonuses (EUR 68 million). In 2007, a remaining restructuring allowance of EUR 58 million was released; whilst the 2006 operating expenses included a restructuring charge of EUR 48 million.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provision increased by EUR 54 million, or 15.3%, to EUR 406 million. This increase was mainly due to additions in the corporate clients portfolio, partly offset by improvements in the small and medium-sized enterprises and consumer credit portfolios.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax decreased by EUR 453 million, or 89.7%, to EUR 52 million as 2006 included the results from and the gain on the sale of Bouwfonds, whereas 2007 contained the release of part of a provision related to the 2006 sale of Bouwfonds.

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

Profit for the year increased by EUR 451 million, or 44.6%, to EUR 1,462 million. Profit from continuing operations increased by EUR 82 million, or 9.4%, to EUR 957 million, mainly as the result of a decrease of EUR 92 million in operating expenses, partly offset by an increase of loan impairment and other credit risk provisions of EUR 84 million. Profit from discontinued operations net of tax increased by EUR 369 million, reflecting a EUR 338 million net gain on the sale of the Bouwfonds property development and management activities and a EUR 31 million increase in results from operations (EUR 167 million in 2006 compared with EUR 136 million in 2005).

Operating income

Operating income was almost flat at EUR 5,130 million. Excluding a EUR 201 million year-on-year difference in net mortgage prepayment penalties, operating income increased by 4.2% to EUR 5,116 million, mainly driven by the consumer and commercial clients business, which increased revenues.

- Net interest income decreased by EUR 443 million, or 12.4%, which was affected by lower Global Client results and EUR 215 million of mortgage prepayment penalties in 2005, compared with only EUR 14 million in 2006 after neutralisation transactions. This negatively affected the year-on-year growth in net interest income by EUR 201 million.
- Net fee and commission income increased by EUR 97 million, or 10.7%, as a result of higher commission on banking transactions, securities and asset management.
- Net trading income increased by EUR 88 million, or 19.5%, mainly due to higher income on the sale of derivatives.
- Other operating income increased by EUR 59 million, or 31.6%, mainly due to gains on the disposal of real estate.

Operating expenses

Operating expenses decreased by EUR 92 million, or 2.5%, to EUR 3,540 million, mainly due to lower personnel costs as a result of a reduction in full-time equivalents (from 22,769 in 2005 to 22,213 in 2006), partly offset by EUR 48 million restructuring charges for the Services, Risk and Global Markets and higher Global Clients expenses.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 84 million, or 31.3%, to EUR 352 million, mainly due to higher provisions for the consumer credit portfolio and the small and medium-sized enterprises (SME) portfolio. The increase in provisioning was related to the overall loan growth and a shift in business mix, due to strong growth of consumer and SME credits, which is fully in line with the BU Netherlands' strategy.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax increased by EUR 369 million, or 271.3% reflecting the EUR 338 million gain on the sale of the Bouwfonds property development and management activities and the EUR 31 million increase in results from operations (EUR 167 million in 2006 compared with EUR 136 million in 2005).

BU Europe

BU Europe covers 27 countries: 23 countries in Europe (excluding the Netherlands) along with Kazakhstan, Uzbekistan, Egypt and South Africa. BU Europe employs approximately 18,900 fte's, including support functions serving all BUs operating in the region.

BU Europe provides its consumer and commercial clients with a focused range of financial products and services.

Selected information

The table below sets out selected information pertaining to BU Europe including Antonveneta for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros)	BU Europe			Consolidation effect			BU Europe (excluding consolidation effect) (non-GAAP measure)		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Net interest income/(expense)	608	375	(105)	–	–	(72)	608	375	(33)
Net fee and commission income	577	698	701	–	–	–	577	698	701
Net trading income/(loss)	(160)	1,405	1,451	–	–	–	(160)	1,405	1,451
Results from financial transactions	159	13	62	–	–	46	159	13	16
Share of results in equity accounted investments	4	–	3	–	–	–	4	–	3
Other operating income/(loss)	(23)	14	73	–	–	–	(23)	14	73
Income of consolidated private equity holdings	–	–	128	–	–	128	–	–	–
Operating income	1,165	2,505	2,313	–	–	102	1,165	2,505	2,211
Operating expenses	2,512	2,479	2,216	–	–	104	2,512	2,479	2,112
Operating result	(1,347)	26	97	–	–	(2)	(1,347)	26	99
Loan impairment and other credit risk provisions	75	11	(35)	–	–	–	75	11	(35)
Operating profit/(loss) before tax	(1,422)	15	132	–	–	(2)	(1,422)	15	134
Income tax expense	(364)	65	31	–	–	(2)	(364)	65	33
Net operating profit/(loss)	(1,058)	(50)	101	–	–	–	(1,058)	(50)	101
Profit from discontinued operations net of tax	(111)	192	–	–	–	–	(111)	192	–
	(1,169)	142	101	–	–	–	(1,169)	142	101

Profit/(loss) for the
year

Total assets	500,391	407,174	320,244	–	–	–	500,391	407,174	320,244
Risk-weighted assets	75,026	73,792	34,610	–	–	–	75,026	73,792	34,610
Full-time equivalent staff	18,862	18,067	6,650	–	–	–	18,862	18,067	6,650
Number of branches and offices	1,083	1,090	63	–	–	–	1,083	1,090	63
Efficiency ratio (in %)	215.6%	99.0%	95.8%	–	–	–	215.6%	99.0%	95.5%

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Results of operations for the years ended 31 December 2007 and 2006

Profit for the year 2007 decreased by EUR 1,311 million to a loss of EUR 1,169 million. This reflects a decrease in operating income of EUR 1,340 million, an increase in operating expenses of EUR 33 million, an increase in loan impairment and other credit risk provisions of EUR 64 million, and a decrease in discontinued operations (Antonveneta) of EUR 303 million.

Operating income

Total operating income decreased by EUR 1,340 million to EUR 1,165 million mainly due to negative fair value adjustments taken in the second half year, related to the credit crisis that developed from the adverse conditions in the sub-prime mortgage market in the United States. BU Europe includes the global hub for Global Markets and therefore the impact of the adjustments has been realised in BU Europe. The negative value adjustments of EUR 1,561 million (EUR 1,139 million after tax) were comprised of a negative valuation adjustment on mono-line insurers of EUR 606 million (EUR 440 million after tax); and a negative valuation adjustment of EUR 955 million on Asset Backed Securities and CDO exposures (EUR 699 million after tax) offset by gains on own credit risk of EUR 267 million recorded in the trading portfolio and EUR 53 million recorded in result from financial transactions.

Operating expenses

Total operating expenses increased by EUR 33 million to EUR 2,512 million. The operating expenses included a restructuring release of EUR 34 million in 2007, and a restructuring charge of EUR 64 million in 2006 (total decrease of EUR 98 million). Non-staff costs were lower than in 2006 as the benefits from the savings initiatives announced in 2006 came through. The expenses related to bonuses increased with EUR 207 million following the guaranteed amounts and true-ups for Global Markets and Global Clients.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 64 million to EUR 75 million reflecting the change in the credit cycle.

Profit from discontinued operations net of tax

Loss from discontinued operations of Antonveneta was EUR 111 million net of purchase accounting from the valuation of intangible assets (amounting to EUR 1,194 million) and fair value adjustments of financial assets and liabilities. The intangible assets are amortised over a period of approximately eight years within operating expenses, however, amortisation of intangible assets ceased when Antonveneta was reported as discontinued operations. The fair value adjustments are substantially amortised through net interest income over a period ranging from one to eight years dependent on the duration of the respective assets and liabilities and adjusted realised gains on sales of related assets and liabilities.

Revenues of Antonveneta decreased due to negative revaluations of the investment portfolios of Antonveneta and Interbanca, and higher than average capital gains realised in 2006. Commercial client revenue growth was lower than targeted. Operating expenses increased due to a restructuring charge for early retirement (EUR 77 million), higher staff costs and additional investments as a result of the integration and the need to bring the compliance function up to ABN AMRO levels. Provisioning increased due to further impairments in the corporate client portfolio. The tax level was impacted by a new Italian budget law and non-tax deductible losses on participations. Profit for the period on a stand-alone basis was a negative EUR 24 million.

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

Profit for the year 2006 increased by EUR 41 million to EUR 142 million. This reflects an increase of EUR 192 million in operating income (non-GAAP: plus EUR 294 million), an increase of EUR 263 million in operating expenses (non-GAAP: plus EUR 367 million), and an increase of EUR 46 million in loan impairment and other credit risk provisions and the first time consolidation of Antonveneta (EUR 192 million) reported in discontinued operations.

Operating income

Operating income increased by EUR 192 million, or 8.3%, to EUR 2,505 million. Excluding the consolidation effect (non-GAAP measure) operating income increased by EUR 294 million, or 13.3%, predominantly on the back of higher Global Markets income, as client income grew strongly.

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

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

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

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

Operating expenses

Operating expenses increased by EUR 263 million, or 11.9%, to EUR 2,479 million. Excluding the consolidation effect (non-GAAP measure) operating expenses increased by EUR 367 million, or 17.4%, mainly due to EUR 64 million restructuring charges for Global Markets and Services, an increase in expenses linked to the growth in operating income, such as higher bonus accruals and higher costs for compliance with the Sarbanes-Oxley Act and other regulations.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 46 million to a charge of EUR 11 million due to lower releases.

Profit from discontinued operations net of tax

As ABN AMRO only took control of Antonveneta on 2 January 2006, ABN AMRO has not made a comparison between the profit for the years ended 31 December 2006 and 2005 for this entity. Profit for the year 2006 was EUR 192 million net of purchase accounting from the valuation of intangible assets (amounting to EUR 1,194 million) and fair value adjustments of financial assets and liabilities.

BU North America

On 22 January 2007, the Group announced the sale of the ABN AMRO Mortgage Group, Inc., ABN AMRO's US-based residential mortgage broker originating platform and the residential mortgage servicing business, to Citigroup. The closing of this transaction was 28 February 2007, and the results of the divested business are reported as discontinued operations net of tax.

On 23 April 2007, the Group announced the sale of ABN AMRO North America Holding Company (AANAHC), which principally consists of the retail and commercial activities of LaSalle Bank Cooperation (LaSalle) to Bank of America for USD 21 billion in cash. The results of the divested business are reported as discontinued operations net of tax. The sale of LaSalle closed on 1 October 2007.

Due to the sale of LaSalle and AAMG, the continuing operations of BU North America now essentially comprise the North America Global Markets and Global Clients operations.

Selected information

The table sets out selected information relating to BU North America for the years ended 31 December 2007, 2006 and 2005.

(in millions of euros) 2007 2006 2005

Net interest income