

ABN AMRO HOLDING N V
Form 6-K
September 28, 2009

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For September 28, 2009

Commission File Number: 001-14624

ABN AMRO HOLDING N.V.

Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

INCORPORATION BY REFERENCE

This report on Form 6-K shall be deemed to be incorporated by reference into the registration statements on Form S-8 with registration numbers 333-74703, 333-81400, 333-84044, 333-127660, 333-128619, 333-128621, 333-140798, 333-145751, and 333-149577, the registration statements on Form F-3 with registration numbers 333-137691 and 333-104778-01 and the registration statement on Form F-4 with the registration number 333-108304 of ABN AMRO Holding N.V. and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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1	Recast of Items 4, 5 and 18 from ABN AMRO's 2008 20-F (filed with the SEC on March 27, 2009)

INTRODUCTION

Filing

This document contains restated segmental disclosures of ABN AMRO's Annual Report 2008 on Form 20-F filed with the United States Securities and Exchange Commission (the "SEC") on 27 March 2009. It will also be filed on Form 6-K with the 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 Members' 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 through RFS Holdings B.V. ('RFS Holdings'). On 3 October 2008 the State of the Netherlands ('Dutch State') acquired Fortis Bank Nederland (Holding) N.V., including the interest in RFS Holdings that represents the acquired activities of ABN AMRO and effectively became the successor of Fortis in the Consortium Shareholder Agreement.

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 IFRS as issued by the International Accounting Standards 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.

Explanatory note

The Group is filing this Form 6-K to restate certain segmental disclosures that were made in the Group's Annual Report on Form 20-F for the year ended 31 December 2008, filed with the Securities and Exchange Commission on 27 March 2009 (the "2008 Form 20-F"), to ensure consistency and comparability with the presentation described below, which was implemented on 1 January 2009:

- The reorganisation of BU Europe, BU Americas and BU Asia into one business segment, the "RBS acquired" segment; and
- The reorganisation of BU Netherlands and BU Private Clients into one business segment, the "Dutch State acquired" segment.

The Group presented segmental disclosures to reflect the above changes in its interim results for the period ended 30 June 2009, which was filed with the Securities and Exchange Commission on a separate Form 6-K dated 28 September 2009. To facilitate comparison with these interim results, the segmental disclosures included in the 2008 Form 20-F are being restated in this Form 6-K. Accordingly, the "Group organisation structure" and "Results of operations by BU" sections included in Item 4, Information on the Company, and the segmental information included in Item 5, Operating and Financial Review and Prospects and Item 18, Financial Statements, have been restated herein to reflect the above mentioned changes by amending the following pages that correspond to the 2008 Form 20-F.

Item 4: pages 10 – 11 (Group organisation structure)
pages 29 – 39 (Results of operations by BU)

Item 5: page 12 (Operating & financial review & prospects)
pages 14 – 23 (Group results)

Item 18: pages 123 – 127 (Note 1 Segment reporting (restated))
page 146 (impairment testing)
pages 230 - 232 (Report of Independent registered public accounting firm)

This Form 6-K includes Items 4, 5, and 18 from the 2008 Form 20-F in their entirety and also retains the page numbering of the 2008 Form 20-F for ease of reference.

Cautionary statement on forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'should', 'intend', 'plan', 'probability', 'risk', 'Value-at-Risk ('VaR')', 'target', 'goal', 'objective', 'will', 'endeavor', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO Holding N.V.'s (referred to as 'the Group', 'ABN AMRO' or 'ABN AMRO Group') potential exposures to various types of market risks, such as counterparty risk, interest rate risk, foreign exchange rate risk, commodity and equity price risk and credit risks. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially.

Other factors that could cause actual results to differ materially from those estimated by the forward looking statements contained in this document include, but are not limited to:

- the extent and nature of future developments and continued volatility in the credit markets and their impact on the financial industry in general and ABN AMRO in particular;

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- the effect on ABN AMRO's capital of write downs in respect of credit exposures;
- risks related to ABN AMRO's transition and separation process following its acquisition by the Consortium consisting of The Royal Bank of Scotland plc ('RBS'), the State of the Netherlands ('Dutch State') and Banco Santander S.A. ('Santander');
- general economic conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities or investments, e.g. the United Kingdom and the United States, including the impact of recessionary economic conditions on ABN AMRO's revenues, liquidity and balance sheet;
 - the actions taken by governments and their agencies to support individual banks and the banking system;
- the monetary and interest rate policies of the European Central Bank, the Board of Governors of the Federal Reserve System and other G-7 central banks;
 - inflation or deflation;
- unanticipated turbulence in interest rates, foreign currency exchange rates, capital markets, commodity prices and equity prices;
 - changes in Dutch and foreign laws, regulations and taxes;
 - changes in competition and pricing environments;
 - natural and other disasters;
 - the inability to hedge certain risks economically;
 - the adequacy of loss reserves;
 - technological changes;
 - changes in consumer spending and saving habits; and
 - the success of ABN AMRO in managing the risks relating to the foregoing.

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 section 'Risk factors', included in the ABN AMRO's 2008 Annual Report, on Form 20-F filed with the US Securities and Exchange Commission on 27 March 2009, 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, nor does ABN AMRO assume any responsibility to do so.

GROUP ORGANISATION STRUCTURE

Organisational Structure

From 1 January 2009, ABN AMRO is comprised of three reportable segments, namely “RBS acquired”, “Dutch State acquired” and “Central Items”. The “RBS acquired” segment principally contains the international lending, international transaction services with operations in Europe, Asia and the Americas and the equities business of the RBS Group. The “Dutch State acquired” segment serves Dutch commercial clients, Dutch consumer clients, and Dutch and international private clients, and includes the International Diamond and Jewelry business. The “Central Items” segment includes items that are not allocated to but economically shared by the Consortium Members as well as settlement amounts accruing to Banco Santander S.A.

The Group presented segmental disclosures to reflect the above changes in its interim results for the period ended 30 June 2009, which was submitted and filed with the US Securities and Exchange Commission on Form 6-K dated 28 September 2009.

In 2008 the Group disclosed six reportable Business Units (‘BU’s), namely Europe, Americas, Asia, the Netherlands, Private Clients and Central Items. The change from six reportable BUs to three reportable segments reflects the focus of the Managing Board on the creation and subsequent legal separation of the Dutch State acquired businesses from the residual RBS acquired businesses into two separate independent banks, and the consequential impact that this progression has had on the management of the Group.

Measurement of segment assets, liabilities, income and results is based on the Group’s accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment.

Central Items as noted includes items that are not allocated to but economically shared by the Consortium Members, as well as accumulated amounts accruing to Banco Santander S.A. arising from the disposal of Banco Real and other sales and settlements. In addition prior to April 2008, the majority of the Group Asset and Liability Management portfolios were economically shared prior to allocation to the respective Consortium Members. Since the allocation was effected on the basis of prospective agreements between Consortium Members, Group Asset and Liability Management results prior to this date are reported in Central Items. Remaining unallocated Group Asset and Liability Management portfolios continue to be reported in Central Items.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

For critical accounting policies and changes in accounting rules, refer to the accounting policies section in Section 5: 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 issued by the IASB and adopted by the EU.

This operating and financial review and prospects examines the Group results under IFRS by comparing the results of operations for the years 2008 to 2007 and for 2007 to 2006, highlighting key notes by operating segment for each line item. This is followed by a more detailed analysis of the results of operations for each segment, 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 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 the 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 them 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 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 of private equity holdings to results including those effects.

Discontinued operations

For 2008 Banca Antonveneta, the former BU Asset Management, ABN AMRO North America Holdings ('La Salle Bank'), ABN AMRO Mortgage Group, Inc. and Bouwfonds are reported as discontinued operations. BU Asset Management was reported as discontinued operations as of December 2007 due to the sale of ABN AMRO's Asset Management activities to Fortis which was completed in April 2008. Banca Antonveneta was reported as discontinued operations as of December 2007 due to the sale of Banca Antonveneta which was completed in May 2008. On 1 January 2008 all remaining Santander acquired businesses, including Banco Real, were reported as discontinued operations due to the sale of these businesses during 2008. Profits from discontinued operations include the related

operating results and if applicable the gain on sale (refer to Note 45 in Section 5: 'Financial Statements'). The comparative income statement figures for the years 2007 and 2006 have been restated in accordance with IFRS. The related assets and liabilities of discontinued operations are presented as assets/liabilities of businesses held for sale as at 31 December 2008. In accordance with IFRS comparative balance sheet figures have not been restated.

Group results

The following table sets out selected information relating to the Group for the years ended 31 December 2008, 2007 and 2006 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)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Net interest income	5,783	4,595	4,223	(45)	(220)	(342)	5,828	4,815	4,565
Net fee and commission income	2,629	3,852	3,641	-	-	-	2,629	3,852	3,641
Net trading income	(9,324)	1,119	2,627	-	3	(3)	(9,324)	1,116	2,630
Results from financial transactions	(1,684)	1,134	767	(36)	46	15	(1,648)	1,088	752
Share of results in equity accounted investments	106	223	186	-	1	-	106	222	186
Other operating income	306	1,239	873	-	-	-	306	1,239	873
Income of consolidated private equity holdings	1,726	3,836	5,313	1,726	3,836	5,313	-	-	-
Operating income	(458)	15,998	17,630	1,645	3,666	4,983	(2,103)	12,332	12,647
Operating expenses	11,629	14,785	14,702	1,635	3,634	4,939	9,994	11,151	9,763
Operating result	(12,087)	1,213	2,928	10	32	44	(12,097)	1,181	2,884
Loan impairment and other credit risk provisions	3,387	717	668	-	-	-	3,387	717	668
Operating profit/(loss) before tax	(15,474)	496	2,260	10	32	44	(15,484)	464	2,216
Tax	(2,580)	(458)	213	10	32	44	(2,590)	(490)	169
Net operating profit/(loss)	(12,894)	954	2,047	-	-	-	(12,894)	954	2,047

Profit from discontinued operations net of tax	16,489	9,021	2,733	-	-	-	16,489	9,021	2,733
Profit/(loss) for the year	3,595	9,975	4,780	-	-	-	3,595	9,975	4,780
Total assets	666,817	1,025,213	987,064	435	1,698	4,537	666,382	1,023,515	982,527
Risk-weighted assets	176,028	232,312	280,704	-	-	-	176,028	232,312	280,704
Full-time equivalent staff	59,558	72,890	85,556	2,594	13,168	30,881	56,964	59,722	54,675
Number of branches and offices (2)(3)	1,020	4,296	4,634	-	-	-	1,020	4,296	4,634

- (1) This is the impact per line item of the private equity investments which are required to be consolidated under IFRS. See 'Section 5: Financial Statements 2008, 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 970 (2007: 4,254; 2006: 4,532).
- (3) Including numbers from operations presented as discontinued until actually sold.

Results of operations for the years ended 31 December 2008 and 2007

Profit for the year decreased by EUR 6,380 million, to EUR 3,595 million. Profit from continuing operations decreased by EUR 13,848 million to a loss of EUR 12,894 million. The variances year-on-year are: the RBS acquired segment (decrease EUR 12,118 million), Central Items (decrease EUR 1,021 million) and the Dutch State acquired segment (decrease EUR 709 million). Profit from discontinued operations net of tax amounted to EUR 16,489 million, reflecting gains on the sale of Banco Real to Santander, Asset Management to Fortis and Banca Antonveneta to Banca Monte dei Paschi di Siena.

Operating income

Operating income decreased by EUR 16,456 million to a negative operating income of EUR 458 million (non-GAAP: operating income decreased by EUR 14,435 million to a negative operating income of EUR 2,103 million). This relates to decreases in operating income in the RBS acquired businesses (EUR 12,403 million), Central Items (EUR 3,680 million; non-GAAP: EUR 1,659 million) and the Dutch State acquired businesses (EUR 373 million).

The negative operating income in the global market business, predominantly attributable to the European business in the RBS acquired segment, include credit market write downs against asset-backed securities (approximately EUR 1.6 billion) and credit valuation adjustment against exposures to credit insurance counterparties (approximately EUR 4.8 billion), losses arising on trading book counterparty failures (approximately EUR 1.0 billion, including losses associated with the Lehman Brothers bankruptcy and the Bernard L. Madoff fraud), losses due to a change in the valuation methodology for complex trading products (approximately EUR 0.5 billion) and approximately EUR 2.4 billion of losses on the transfer of certain portfolios to RBS. These transfers are at fair value to RBS. However, from an RBS Group perspective, the results on these transfers are eliminated as RBS Group is both the buyer and the seller.

Within Central Items the results from the Private Equity portfolio and our shareholding in Unicredit were both negative in 2008.

Further comment is provided in the discussion of the individual lines that constitute operating income and in the segment commentaries.

Net interest income

Net interest income increased by EUR 1,188 million, or 25.9%, to EUR 5,783 million (non-GAAP: net interest income increased by EUR 1,013 million or 21.0%). This was predominantly due to increases in Central Items (EUR 1,022 million; non-GAAP: EUR 847 million), and the RBS acquired segment (EUR 383 million), partly offset by a decrease in the Dutch State acquired segment (EUR 217 million).

Key notes:

- § Net interest income in Central Items increased mainly due to the interest on the proceeds of the sale of Banca Antonveneta and the sale of Banco Real and due to the transfer of Group Asset and Liability Management portfolios to the RBS acquired and the Dutch State acquired businesses from April 2008 onward.
- § The increase in the RBS acquired segment is mainly due to the interest on the proceeds of the sale of LaSalle, higher revenues from commercial banking and higher interest on cash balances in treasury, as well as higher revenues in the global market, credit market and the equities business.

§ The decrease in the Dutch State acquired segment resulted from the inclusion of a negative interest margin from the Group Asset and Liability Management portfolios allocated to the Dutch State. This was partly offset by interest revenues on the proceeds of the sale of Asset Management. An increase in gross interest, resulting from higher mortgage volumes and commercial loans, did not compensate for the lower margins. Margins on deposits and savings also dropped due to the migration to higher yielding saving products and deposits.

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 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Fee and commission income			
Securities brokerage fees	876	1,399	1,671
Payment and transaction services fees	836	764	689
Asset management and trust fees	359	495	426
Fees generated on financing arrangements	130	278	163
Advisory fees	321	578	464
Other fees and commissions	546	667	634
Subtotal	3,068	4,181	4,047
Fee and commission expense			
Securities brokerage expense	103	83	321
Other fee and commission expense	336	246	85
Subtotal	439	329	406
Total	2,629	3,852	3,641

Net fee and commission income decreased by EUR 1,223 million, or 31.7%, to EUR 2,629 million. This was due to a decrease in the RBS acquired segment (EUR 749 million), Central Items (EUR 255 million) and the Dutch State acquired segment (EUR 219 million).

Key notes:

§ Lower net fee and commission income in the RBS acquired businesses was due to lower results from the merger and acquisition business and due to lower revenues from equity derivative and strategy business..

§ Net fees and commission income in Central Items decreased, mainly due to the transfer of Group Asset and Liability Management portfolios.

§ Net fees and commission income decreased in the Dutch State acquired businesses mainly due to lower Assets under Management levels in the Private Clients business. This decline reflects a reduction in net new assets due to migration to savings products and lower asset values due to deteriorated financial markets which decreased by EUR 38 billion to EUR 102 billion.

Net trading income

The following table sets out the net trading income for the Group for the years ended 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Interest instruments trading	(9,276)	(1,531)	740
Foreign exchange trading	915	1,152	859
Equity and commodity trading	(1,017)	1,438	1,042
Other	54	60	(14)
Total	(9,324)	1,119	2,627

Net trading income decreased by EUR 10,443 million to a loss of EUR 9,324 million (non GAAP: net trading income decreased by EUR 10,440 million to a loss of EUR 9,324 million). The majority of the decrease is attributable to the RBS acquired segment (EUR 10,204 million) specifically within the European operations.

Key notes:

§ The decrease in net trading income in the RBS acquired businesses includes credit market write-downs against asset backed securities and credit valuation adjustments against exposures to credit insurance counterparties. For further information refer to our discussion on 'Credit market and related exposures' within this section. The negative revenue also includes losses arising on trading book counterparty failures (approximately EUR 1.0 billion, including losses associated with the Lehman Brothers bankruptcy and the Bernard L. Madoff fraud). Furthermore, trading income was impacted by approximately EUR 500 million of losses due to a change in the valuation methodology of complex trading products that involve multiple unobservable inputs, such as correlation and interpolation, which have been adjusted to use the same estimation techniques as the ultimate parent company, RBS.

Results from financial transactions

The following table sets out the results from financial transactions for the Group for the years ended 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Net result on the sale of available-for-sale debt securities, loans and advances	(1,881)	134	437
Impairment of available-for-sale debt securities	(333)	-	-
Net result on available-for-sale equity investments	(67)	35	69
Fair value changes in own credit risk	490	168	-
Dividends on available-for-sale equity investments	54	9	26
Net result on other equity investments	(1,185)	669	435
Fair value changes of credit default swaps	1,330	116	(280)
Other	(92)	3	80
Total	(1,684)	1,134	767

Results from financial transactions decreased by EUR 2,818 million to a loss of EUR 1,684 million (non-GAAP: results from financial transactions decreased by EUR 2,736 million to a loss of EUR 1,648 million). The decrease was due to the RBS acquired segment (EUR 1,709 million) and Central Items (EUR 1,253 million; non GAAP: EUR 1,171 million), partly offset by an increase in the Dutch State acquired segment (EUR 144 million).

Key notes:

- § The decrease in the RBS acquired businesses is due to losses of EUR 2.4 billion on the transfer of certain credit portfolios to RBS. The businesses were also impacted by losses on proprietary equity investments of approximately EUR 0.3 billion. These negative results are partly offset by gains recorded on own debt held at fair value of approximately EUR 0.6 billion.
- § Results from financial transactions in Central Items decreased, mainly due to lower results from the Private Equity portfolio (approximately EUR 0.8 billion) and losses from our shareholding in Unicredit (approximately EUR 0.8 billion) that were driven by stock price developments prior to disposal in 2008.

Share of result in equity accounted investments

Share of result in equity accounted investments decreased by EUR 117 million to EUR 106 million (non-GAAP: share of results in equity accounted investments decreased EUR 116 million to EUR 106 million). This was due to the decrease in profits generated by investments held in Central Items (EUR 55 million; non-GAAP: EUR 54 million) and the RBS acquired segment (EUR 39 million).

Other operating income

The following table sets out the other operating income for the Group for the years ended 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Insurance activities	45	36	45
Leasing activities	78	82	61
Disposal of operating activities and equity accounted investments	(6)	894	453
Other	189	227	314
Total	306	1,239	873

Other operating income decreased by EUR 933 million to EUR 306 million, primarily due to a decrease in Central Items (EUR 755 million).

Key notes:

- § Central Items in 2007 included the gain on the sale of ABN AMRO's stake in Capitalia which was settled in exchange for Unicredit shares (EUR 624 million) and the gain on the sale of the Latin American Private Banking operations (EUR 77 million).

Income of consolidated private equity holdings

Income of consolidated private equity holdings decreased by EUR 2,110 million to EUR 1,726 million, due to the transfer of management activities from businesses within 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 were no longer consolidated as of 1 July 2007 but changes in fair value were shown within results from financial transactions as a net result on other equity investments instead.

Operating expenses

Operating expenses decreased by EUR 3,156 million, or 21.3%, to EUR 11,629 million (non-GAAP: operating expenses decreased by EUR 1,157 million, or 10.4%, to EUR 9,994 million), due to decreases in Central Items (EUR

2,928 million; non-GAAP: EUR 929 million) and the RBS acquired segment (EUR 404 million). This was partly offset by an increase in the Dutch State acquired segment (EUR 176 million).

In 2008, EUR 1,036 million of restructuring charges were included, compared to a net release of EUR 101 million in 2007.

Key notes:

- § Operating expenses in Central Items in 2008 include a EUR 167 million restructuring charge, whereas 2007 included a restructuring release of EUR 14 million. Operating expenses in 2007 included a provision for the US Department of Justice investigation (EUR 365 million), transaction-related advisory fees (EUR 211 million), the break-up fee paid to Barclays (EUR 200 million), costs of accelerated vesting of share-based payments (EUR 117 million) and transition and integration costs (EUR 95 million).
- § Operating expenses in the RBS acquired businesses decreased primarily as a result of lower performance related bonuses resulting from the decreased trading performance and a reduction in headcount. In 2008, operating expenses included a restructuring charge of EUR 657 million, compared with a restructuring release of EUR 39 million in 2007 (total increase of EUR 696 million).
- § The 2008 operating expenses in the Dutch State acquired businesses include a restructuring charge of EUR 208 million, whilst in 2007 a restructuring allowance of EUR 48 million was released. The restructuring charge relates to integration and restructuring costs as well as costs related to the preparation for the possible sale resulting from the EC Remedy. Adjusted for the restructuring charge of EUR 208 million, operating expenses decrease by EUR 32 million, due to cost management actions throughout the year, partially offset by an increase in staff costs and a provision for the estimated costs to the Group relating to the deposit guarantee scheme in the Netherlands.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 2,670 million to EUR 3,387 million. The main increases were in the RBS acquired segment (EUR 2,263 million) and the Dutch State acquired segment (EUR 398 million).

Key notes:

- § Loan impairment and other credit risk provisions increased in the European operations of the RBS acquired businesses mainly due to a provision relating specifically to LyondellBasell Industries (approximately EUR 1.1 billion) and further provisions in the global markets business.
- § The increase in the Dutch State acquired businesses is mainly related to the small and medium enterprise portfolio.

Tax

Tax expense decreased by EUR 2,122 million to a net tax benefit of EUR 2,580 million (non-GAAP: tax expense decreased EUR 2,100 million to a tax benefit of EUR 2,590 million). In 2008 deferred tax assets relating to losses were not recognised due to uncertainty of recoverability in the RBS acquired segment (EUR 1.4 billion).

Included in 2007 were significant tax-exempt gains on disposals, including the gain on the sale of Capitalia (EUR 624 million, net EUR 617 million), 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 of EUR 16,489 million in 2008 includes:

- The sale of Banco Real to Santander which was concluded in July 2008 with a gain of EUR 10,647 million.
 - Asset Management which was sold to Fortis in March 2008 with a gain of EUR 3,073 million.
- Banca Antonveneta which was sold to Banca Monte dei Paschi di Siena in May 2008 with a gain of EUR 2,357 million.

Profit from discontinued operations net of tax of EUR 9,021 million in 2007 included:

- The sale of ABN AMRO Mortgage Group, Inc., ABN AMRO's US-based residential mortgage broker origination platform and residential mortgage servicing business, with a gain of EUR 110 million (net of tax results for the first two months and a gain on sale).
- The sale of ABN AMRO North America Holding Company which principally consists of the retail and commercial activities of LaSalle Corporation (LaSalle), in October 2007. 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.
 - The classification as discontinued operations of Banca Antonveneta (EUR 107 million losses).
 - The classification as discontinued operations of Asset Management (EUR 171 million).
 - The classification as discontinued operations of Banco Real (EUR 786 million).
 - The gain on the sale of Interbank N.V., DMC Group (total EUR 69 million).
 - The partial release 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 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 1,093 million, or 53.4%, to EUR 954 million. The major variances year-on-year were attributable to increases in profit from discontinued operations.

Profit from discontinued operations net of tax amounted to EUR 9,021 million reflecting the divestment of ABN AMRO North America Company, which principally consisted of the retail and commercial activities of LaSalle, the divestment of ABN AMRO Mortgage Group, Inc. and the classification of Banca Antonveneta, Asset Management, Banco Real to Santander as discontinued operations.

Operating income

Operating income decreased by EUR 1,632 million, or 9.3%, to EUR 15,998 million (non-GAAP: operating income decreased by EUR 315 million or 2.5%). This relates primarily to the decreases of operating income in Central Items (EUR 1,493 million; non-GAAP: EUR 176 million) and the RBS acquired segment (EUR 326 million) partly offset by increases in the Dutch State acquired segment (EUR 187 million). Further comment is provided in the discussion of the individual lines that make up operating income and the segment commentaries:

Key notes:

- Operating income in Central Items decreased, mainly due to lower proprietary trading results of the Global Markets activities and higher funding costs. This was partly offset by gains on the credit default swap portfolio that benefited from the general widening of the spread that occurred throughout the year (EUR 116 million), a gain on own credit risk (EUR 115 million), the gain on the sale of Capitalia whose shares were settled for Unicredit shares (EUR 624 million), and the gain on the sale of the Latin America Private Banking operations in Miami and Uruguay, which included the Latin America portfolios managed in Switzerland and Luxembourg (EUR 77 million).

- Operating income in the RBS acquired businesses decreased predominantly due to negative fair value adjustments taken in the second half year 2007 in the European operations, related to the first impacts of the credit crisis that developed from the adverse conditions in the sub-prime mortgage market in the US. The negative fair value adjustments of EUR 1,561 million (EUR 1,139 million after tax) were comprised of a negative valuation adjustment on monolines of EUR 606 million (EUR 440 million after tax); and a negative

valuation adjustment of EUR 955 million on asset backed securities and collateralised debt obligation 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 results from financial transactions. The decrease was partly offset by the gains on the sale of ABN AMRO Mellon and by positive development in Asian (consumer and commercial banking growth) and American business (decline in interest rates and weakening US dollar).

Net interest income

Net interest income increased by EUR 372 million, or 8.8%, to EUR 4,595 million (non-GAAP: net interest income increased by EUR 250 million, or 5.5%, to EUR 4,815 million). This was mainly due to increases in the RBS acquired segment (EUR 841 million), partly offset by a decrease in Central Items (EUR 477 million; non-GAAP: EUR 599 million).

Key notes:

- The net interest income increase in the RBS acquired businesses was mainly due to higher global markets income, as client income grew strongly in the European region and continued growth in the consumer lending business and credit card business and the consolidation of Prime Bank and Taitung Business Bank in the Asian region.
- Net interest income in Central Items decreased due to higher funding costs and lower investment income following lower sales of available-for-sale bonds than in 2006.

Net fee and commission income

Net fees and commission income increased by EUR 211 million, or 5.8%, to EUR 3,852 million, primarily due to an increase in the Dutch State acquired businesses (EUR 119 million) and Central Items (EUR 112 million).

Key notes:

- Net fee and commission income in The Dutch State acquired businesses increase relates to higher volumes in non-interest related products such as stocks, investment funds and structured products.
- In the RBS acquired businesses net fee and commission income increased in the Asian operations, due to the higher merger and 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. However, the increase was offset by the European operations, due to a decline in securities commissions and commissions related to large corporate clients.

Net trading income

Net trading income decreased by EUR 1,508 million, or 57.4%, to EUR 1,119 million (non-GAAP: net trading income decreased by EUR 1,514 million, or 57.6%, to EUR 1,116 million). This was mainly due to decreases in the RBS acquired segment (EUR 1,310 million) and Central Items (EUR 227 million; non-GAAP measure: EUR 233 million).

Key notes:

- The decrease in the RBS acquired businesses was due to negative fair value adjustments (EUR 1,561 million) relating to the first impacts of the credit crisis that developed from the conditions of the sub-prime mortgage market in the US.
- The decrease of net trading income in Central Items is mainly due to lower proprietary trading income in the global market business.

Results from financial transactions

Results from financial transactions increased by EUR 367 million, or 47.8%, to EUR 1,134 million (non-GAAP: results from financial transactions increased by EUR 336 million, or 44.7%, to EUR 1,088 million). The increase was mainly due to increases in Central Items (EUR 285 million; non-GAAP: EUR 254 million) and the RBS acquired businesses (EUR 50 million).

Key notes:

- Results from financial transactions of Central Items increased in total EUR 285 million (non-GAAP: EUR 254 million) due to mark-to-market gains on the credit default swap portfolios managed as part of the capital and risk hedging activities that benefited from the general widening of credit spreads which occurred throughout 2007 and gains from changes in the fair value related to own credit risk of EUR 115 million, partly offset by decreased gains on sales of available-for-sale bonds.

Share of result in equity accounted investments

Share of results in equity accounted investments increased by EUR 37 million to EUR 223 million (non-GAAP measure: EUR 36 million to EUR 222 million), mainly due to the increase in the RBS acquired segment (EUR 46 million).

Other operating income

Other operating income increased by EUR 366 million, or 41.9%, to EUR 1,239 million, mainly due to increases in Central Items (EUR 303 million) and the RBS acquired segment (EUR 67 million).

Key notes:

- The increase in Central Items (EUR 303 million) was mainly due to the gain on the sale of ABN AMRO's stake in Captialia which was settled in exchange for Unicredit shares (EUR 624 million) and due to the gain on the sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios managed in Switzerland and Luxembourg (EUR 77 million). The 2006 figures include the gain on the sale of the Futures business (EUR 229 million) and the gain on the sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million).
- The increase in the RBS acquired businesses was mainly due to the tax exempt gains on the sale of ABN AMRO's 50% share in ABN AMRO Mellon Global Securities B.V. (EUR 139 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 the majority 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 were 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.

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Operating expenses

Operating expenses increased by EUR 83 million, or 0.6%, to EUR 14,785 million (non-GAAP: operating expenses increased by EUR 1,388 million, or 14.2%, to EUR 11,151 million), due to increases in operating expenses in the RBS acquired segment (EUR 435 million) and Central Items (decrease of EUR 408 million; non-GAAP: increase of EUR 897 million). In 2007, EUR 101 million of restructuring costs were released compared with a charge of EUR 95 million in 2006. In 2007, EUR 272 million 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 Members.

Key notes:

- The decrease in Central Items was caused by a decline in the operating expenses of consolidated Private Equity investments due to a change in control. On a non-GAAP basis, the operating expenses increased due to the break-up fee paid to Barclays (EUR 200 million), transaction-related advisory fees (EUR 211 million), transition and integration costs (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).
- Operating expenses in the RBS acquired segment increased due to higher staff costs, as a result of an increase in full time equivalents (from 26,701 in 2006 to 32,888 in 2007) and an increase in bonus related expenses following the retention initiative and true-ups for the global markets business. In respect to the Asian business, during 2007, 16 branches across China, India, Indonesia, Hong Kong and Malaysia have been opened. The operating expenses included a restructuring release of EUR 48 million in 2007, and a restructuring charge of EUR 79 million in 2006 (total decrease of EUR 127 million). Non-staff costs were lower compared to 2006 as the benefits from the savings initiatives announced in 2006 were realised.

Loan impairment and other credit risk provisions

Loan impairment and other credit provisions increased by EUR 49 million, or 7.3%, to EUR 717 million. The provision level increased mainly in the RBS acquired segment (EUR 166 million), partly offset by lower provisions in Central Items (decrease EUR 114 million).

Key notes:

- Loan impairment and other credit risk provisions increased in the RBS acquired businesses following the lower level of releases than in the prior year and the change in the credit cycle.
- Provisions in Central Items decreased (EUR 114 million) as 2006 included an impairment for the Futures business which was sold to UBS in that year.

Tax

Tax expense declined by EUR 671 million (non-GAAP: tax expenses decreased by EUR 659 million) to a benefit of EUR 458 million (non-GAAP: 490 EUR million), mainly due to significant tax-exempt gains on disposals, including the gain on sale of Capitalia (EUR 624 million, net EUR 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.

Profit from discontinued operations net of tax

Profit from discontinued operations net of tax of EUR 9,021 million in 2007 included:

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- The sale of ABN AMRO Mortgage Group, Inc., ABN AMRO's US-based residential mortgage broker origination platform and residential mortgage servicing business, with a gain of EUR 110 million (net of tax results for the first two months and a gain on sale).
- The sale of ABN AMRO North America Holding Company, which principally consisted of the retail and commercial activities of LaSalle Corporation (LaSalle), in October 2007 with a net of tax results for the first nine months of EUR 777 million, and a gain on sale amounted to EUR 7,163 million.
 - The classification as discontinued operations of Banca Antonveneta (EUR 107 million losses).
 - The classification as discontinued operations of Asset Management (EUR 171 million).
 - The classification as discontinued operations of Banco Real (EUR 786 million).

- The gain on the sale of Interbank N.V., DMC Group (total EUR 69 million).
- The partial release of a provision recorded in connection with the sale of Bouwfonds in 2006 (EUR 52 million).

Profit from discontinued operations net of tax of EUR 2,733 million in 2006 included:

- The Group disposed of the property development and management activities of Bouwfonds in December 2006, resulting in profits of EUR 505 million, EUR 338 million of which related to the net gain on the sale and EUR 167 million of which related results of operations.
- The classification as discontinued operations of ABN AMRO Mortgage Group, Inc. (EUR 104 million).
- The classification as discontinued operations of ABN AMRO North America Holding Company (EUR 1,019 million).
- The classification as discontinued operations of Banca Antonveneta (EUR 192 million).
- The classification as discontinued operations of Asset Management (EUR 235 million).
- The classification as discontinued operations of Banco Real (EUR 678 million).

ANALYSIS OF THE BALANCE SHEET MOVEMENTS

The following is an analysis by significant balance sheet category of movements between 31 December 2008 and 31 December 2007.

(in millions of euros)	2008	2007
Assets		
Financial assets held for trading	212,653	242,277
Financial investments	67,061	96,435
Loans and receivables – banks	75,566	175,696
Loans and receivables – customers	270,507	398,331
Total assets	666,817	1,025,213
Liabilities		
Financial liabilities held for trading	192,087	155,476
Due to banks	94,620	239,334
Due to customers	209,004	330,352
Issued debt securities	111,296	174,995
Equity		
Equity attributable to shareholders of the parent company	17,077	29,575
Equity attributable to minority interests	46	1,134
Subordinated liabilities	13,549	15,616
Group capital	30,672	46,325
Guarantees and other commitments	42,148	55,140

The Group's total assets were EUR 667 billion at 31 December 2008, a decrease of EUR 358 billion, or 35%, when compared with EUR 1,025 billion at 31 December 2007. This decrease is primarily related to the distribution of businesses from the Group to the acquiring Consortium Member and sales to third parties in relation to the transition and impact on transaction volumes and values due to effects of the dislocation in financial markets.

In July 2008, the Santander acquired businesses of the former BU Latin America, predominantly consisting of Banco Real in Brazil, were transferred to Santander resulting in a reduction of total assets by EUR 48 billion. There was also a significant decrease in the volume of reverse repurchase agreements due to the tightening of liquidity and reduction in the professional securities transactions market.

The Group's total liabilities decreased EUR 343 billion, or 35%, to EUR 636 billion for reasons related to the decreases in total assets.

Financial assets and liabilities held for trading

Financial assets held for trading decreased by EUR 29 billion, or 12%, to EUR 213 billion at 31 December 2008 when compared with the 31 December 2007 amount of EUR 242 billion. This decrease resulted mainly from positions that were transferred to RBS, decreases in values due to current market conditions and planned balance sheet reductions by certain businesses. Partially offsetting this decrease were increases in derivative balances due to increases in the fair value of credit derivatives.

Financial liabilities held for trading of EUR 192 billion at 31 December 2008 increased by EUR 37 billion, or 24%, as compared to EUR 155 billion at 31 December 2007 mainly due to the change in derivatives as referred to above.

Financial investments

At 31 December 2008, the Group held financial investments of EUR 67 billion as compared to EUR 96 billion at 31 December 2007. The decrease of EUR 29 billion, or 30%, was due in part to the sale of EUR 6.7 billion of interest earning assets in a securities arbitrage conduit to RBS, and EUR 6 billion due to the sale of Banco Real and other businesses to Santander.

Loans and receivables – banks and Due to banks

Total loans and receivables – banks decreased EUR 100 billion, or 57%, to EUR 76 billion at 31 December 2008 compared to the balance of EUR 176 billion at 31 December 2007. This decrease was primarily driven by the decreased level of professional securities transaction volume, predominantly as a result of decreases in interbank funding activity.

The decline in Due to banks of EUR 145 billion, or 60%, was the most significant decline in liabilities, decreasing to EUR 95 billion at 31 December 2008 from EUR 239 billion at 31 December 2007. The most important drivers of the decrease in Due to banks were a decrease in professional securities transactions of EUR 97 billion and a EUR 52 billion decrease in time deposits from banks reflecting the dislocation in the financial markets.

Loans and receivables – customers and Due to customers

The decline in Loans and Receivables - customers was the most significant decline in assets, as the account declined by EUR 128 billion, or 32%, to 271 billion at 31 December 2008. The decrease was predominantly driven by a decline in professional securities transactions of EUR 85 billion, a decrease of EUR 14 billion in consumer lending, and a EUR 24 billion reduction due to the transfer of several multi-seller conduits to RBS. The decrease also includes EUR 28 billion due to the sale of Banco Real and other businesses to Santander.

Due to customers decreased EUR 121 billion, or 37%, to EUR 209 billion at 31 December 2008 compared to the balance of EUR 330 billion at 31 December 2007. This decrease was primarily driven by the decreased level of reverse repurchase agreement transaction volume of EUR 69 billion, EUR 50 billion less commercial and consumer deposits due to maturities of time deposits which were not renewed as a result of dislocation in the financial markets.

Issued debt securities

At 31 December 2008, the Group had issued debt securities in the amount of EUR 111 billion as compared to EUR 175 billion at 31 December 2007. The decrease of EUR 64 billion, or 37%, was due to the redemption of certain debt corresponding to the decrease in assets as discussed above and the transfer of consolidated conduits to RBS.

Subordinated liabilities and preference shares conversion

Subordinated liabilities decreased EUR 2.1 billion, or 13%, to EUR 13.5 billion at 31 December 2008 compared to EUR 15.6 billion at 31 December 2007. EUR 0.7 billion of the decrease related to the sale of Banco Real and other Latin American businesses to Santander and EUR 0.6 billion is a result of maturities. In November, 2008, the Group converted its outstanding preference financing shares to ordinary shares, decreasing subordinated liabilities by EUR 0.8 billion.

Guarantees and other commitments

The Group has, at any time, a number of commitments to extend credit. At 31 December 2008, the Group had EUR 42 billion of guarantees and other commitments outstanding as compared to EUR 55 billion at 31 December 2007. At 31 December 2008, the Group had EUR 63 billion of committed credit facilities as compared to EUR 104 billion at 31 December 2007. Lower levels of commitments are reflective of lower overall lending volumes in 2008.

Group capital

The following table shows ABN AMRO's capital at 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Ordinary share capital	1,852	1,085	1,085
Ordinary share premium reserves	5,343	5,332	5,245
Treasury shares	-	(2,640)	(1,829)
Retained earnings	11,096	25,650	18,599
Net gains/(losses) not recognised in the income statement	(1,214)	148	497
Equity attributable to shareholders of the parent company	17,077	29,575	23,597
Minority interests	46	1,134	2,298
Equity	17,123	30,709	25,895
Subordinated liabilities	13,549	15,616	19,213
Group capital	30,672	46,325	45,108

Group capital at year-end 2008 was EUR 30,672 million, a decrease of EUR 15,653 million or 33.8%, compared with 2007. This was due to:

- A decrease of EUR 12,498 million, or 42.3%, in equity attributable to the shareholder of the parent company, which is mainly resulting from a decrease in retained earnings following the dividend payments in 2008 of in total EUR 19,213 million, a decrease in treasury shares as a result of the sale of these shares to RFS Holdings and an increase of losses not recognised in the income statement. This was partially offset by a net profit attributable to the shareholder of the parent company of EUR 3,580 million and an increase in ordinary share capital following the conversion of preference financing shares and (formerly convertible) preference shares.
- A EUR 1,088 million decrease in minority interests in 2008, which is explained by net additions and disposals of EUR 996 million, EUR 107 million currency translation losses and profit attributable to minority interest of EUR 15 million.

- A decrease of subordinated liabilities by EUR 2,067 million (2007: decrease EUR 3,597 million) to EUR 13,549 million (2007: EUR 15,616 million). The decrease in 2008 is a result of the conversion of preference shares, the disposal of Banco Real and some repayments.

Group capital at year-end 2007 was EUR 46,325 million, an increase of EUR 1,217 or 2.7%, compared with 2006. This was due to:

- An increase of EUR 5,978 million, or 25.3%, in equity attributable to shareholders of the parent company, which is mainly due to an increase in retained earnings and partially offset by an increase in treasury shares
- A EUR 1,164 million decrease of minority interests in 2007, which 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.
- A decrease of subordinated liabilities 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.

Credit ratings

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

	2008		2007	
	Long term	Short term	Long term	Short term
Standard & Poor's	A+	A-1	AA-	A-1+
Moody's	Aa2	P-1	Aa2	P-1
Fitch	AA-	F1+	AA-	F1+

Capital ratios

ABN AMRO applies capital adequacy ratios based on the Bank for International Settlements' guidelines and Dutch Central Bank ('DNB') 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 required ratios, as determined by the DNB, have been increased in 2008 as discussed in Section 3: 'Risk & Capital Management'. The minimum Tier 1 ratio required is 9% (2007: 4%) and the minimum total capital ratio is 12.5% (2007: 8%). ABN AMRO has met these standards throughout the year including at balance sheet date with a Tier 1 ratio of 10.88% (2007: 12.42%), of which the core Tier 1 ratio is 10.10% (2007: 10.59%). The total capital ratio is 14.43% (2007: 14.61%) at 31 December 2008.

The total capital base decreased by 25.1% (2007: increased by 8.5%) to EUR 25.4 billion at 31 December 2008 (2007: EUR 33.9 billion). Risk weighted assets amounted to EUR 176.0 billion at 31 December 2008 (2007: 232.3 billion), a decrease of EUR 56.3 billion (2007: EUR 48.4 billion), or 24.2% (2007: 17.2%) from 2007.

The following table analyses ABN AMRO's capital ratios at 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Tier 1 capital	19,152	28,850	23,720
Tier 2 capital	5,981	4,816	7,283
Tier 3 capital	272	272	272
Total capital base (including supervisory deductions)	25,405	33,938	31,275
Risk-weighted assets on balance	119,667	172,059	208,948
Off-balance	43,292	53,611	67,675
Market risks	13,069	6,642	4,081
Total risk-weighted assets	176,028	232,312	280,704
Tier 1 capital ratio	10.88%	12.42%	8.45%
Total capital ratio	14.43%	14.61%	11.14%

For further information on the capital ratios refer to Note 39 'Capital Adequacy' within Section 5: 'Consolidated Financial Statements'.

Liquidity and funding

Throughout the year, in response to the dislocation of the financial markets, in particular following the default of Lehman Brothers and ABN AMRO events related to the planned transition of businesses to Consortium Members, management was required to take appropriate relevant measures. Contingency funding plans were put in effect on a number of occasions to manage and to mitigate the negative effects in a coordinated manner in response to these events. In order to strengthen the liquidity buffer, an additional amount of Dutch residential mortgages were securitised as European Central Bank Eligible collateral. The timely response and effectiveness of the measures taken, together with the acquisition by the Dutch State of the interest in ABN AMRO from Fortis, enabled the Group to restore the trust of the public and to stem liquidity outflow, most of which has now been recouped.

ABN AMRO's liquidity management is also directed towards supporting the smooth transfer of ABN AMRO businesses to the Consortium Members. In this respect ABN AMRO adjusted its funding policy in 2008 to concentrate on extending the funding profile through attracting wholesale funding as the long term debt issuance market was not available to ABN AMRO in 2008.

The above measures, in combination with the completion of the transfer of certain businesses, decreased the liquidity exposure significantly and enabled ABN AMRO to manage its liquidity position without excessive stress.

The market dislocation also impacted ABN AMRO's managed asset-backed commercial paper (ABCP) conduits, which are diversified in terms of geographical spread and asset coverage. Also the maturities of the ABCP are well spread over time. These represented the largest contingent liquidity exposure of the Group. In February 2008 one asset arbitrage conduit was no longer able to refinance itself and drew liquidity. All other major conduits have been rolled over without difficulties due to the underlying quality of the assets, with ABN AMRO in some cases temporarily being required to warehouse ABCP. By late 2008 the majority of ABN AMRO's multi-seller conduits and the related issuance and sponsorship role have been transferred to RBS. The outstanding ABCP as per 31 December 2008 was EUR 17.8 billion (2007: EUR 50.9 billion), of which EUR 4.8 billion (2007: EUR 29.3 billion) relates to multi-seller conduits.

In December 2008, the Standard & Poor's rating agency downgraded ABN AMRO, together with a number of other international banks. As a consequence ABN AMRO was required to post more collateral in January 2009, due to its role as a cash deposit bank in securitisation transactions.

Liquidity Ratio

ABN AMRO uses the stable funding to non liquid assets ratio in its liquidity management (refer Section 3: 'Risk & Capital Management' for a discussion on funding liquidity management and measurement). This ratio shows the extent to which core assets (non liquid assets) are covered by core liabilities (stable funding). Non liquid assets are assets that require continuous funding and where - from a commercial perspective - the Group is not in a position to discontinue funding. Stable funding is funding which is assumed to remain available in a crisis.

	2008	2007
Stable funding/non liquid assets:		
Year end ratio	96%	102%
Average ratio	95%	99%

The Group has continued to meet its internal liquidity management limits as well as regulatory liquidity requirements in 2008.

Offices and branches

At 31 December 2008, the Group operated 615 offices and branches in the Netherlands (2007: 665) and 405 offices and branches (2007: 3,631) in 50 other countries and territories (2007: 55). Of these offices and branches, 14 (2007: 17) were in North America, 22 (2007: 2,212) in Latin America and the Caribbean, 140 (2007: 1,155) were in Europe, 9 (2007: 10) were in the Middle East and Africa and 220 (2007: 237) were in the Asia Pacific Region.

RESULTS OF OPERATIONS BY SEGMENT

Changes to reporting structure and presentation

From 1 January 2008 the management and control structure of ABN AMRO has been aligned with the consortium ownership of the Group. The results of operations for the years ended 31 December 2007 and 2006 have been restated to reflect these changes.

RBS acquired

Selected information

The table below sets out selected information relating to the RBS acquired segment for the years ended 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Net interest income	2,548	2,165	1,324
Net fee and commission income	1,358	2,107	2,127
Net trading income	(9,115)	1,089	2,399
Results from financial transactions	(1,518)	191	141
Share of result in equity accounted investments	9	48	2
Other operating income	54	139	72
Operating income	(6,664)	5,739	6,065
Operating expenses	5,718	6,122	5,687
Operating result	(12,382)	(383)	378
Loan impairment and other credit risk provisions	2,609	346	180
Operating profit/(loss) before tax	(14,991)	(729)	198
Tax	(2,442)	(298)	(41)
Net operating profit/(loss)	(12,549)	(431)	239
Total assets	478,195	686,791	569,757
Risk-weighted assets	80,395	66,212	69,159
Full-time equivalent staff	32,805	32,888	26,701
Number of branches and offices	315	316	288
Efficiency ratio ¹	-	106.7%	93.8%

1) Negative efficiency ratios have been excluded

Results of operations for the years ended 31 December 2008 and 2007

Loss for the year increased by EUR 12,118 million to a loss of EUR 12,549 million. This reflects a decrease in operating income of EUR 12,403 million, a decrease in operating expenses of EUR 404 million, an increase in loan impairment and other credit risk provisions of EUR 2,263 million and a decrease in tax expenses of EUR 2,144 million.

Operating income

Operating income decreased by EUR 12,403 million to a negative amount of EUR 6,664 million, mainly as a result of a decrease in net trading income of EUR 10,204 million, a decline in net fee and commission income of EUR 749

million and a decrease in results from financial transactions of EUR 1,709 million, partly offset by an increase in net interest income of EUR 383 million.

- Net interest income increased by EUR 383 million mainly due to the interest on the proceeds of the sale of LaSalle, higher revenues from commercial banking and higher interest on cash balances in treasury, both in the European region, and higher revenues in the global market, credit market and equities business, in the Americas region.
- Net fee and commission income decreased by EUR 749 million, due to lower results from the merger and acquisition business and lower revenues from equity derivative and strategy business.

- The decrease in net trading income includes credit market write-downs against asset backed securities (EUR 1.6 billion) and credit valuation adjustment against exposures to credit insurance counterparties (EUR 4.8 billion). For further information refer to our discussion on 'Credit market and related exposures' in this section. The negative revenue also includes losses arising on counterparty failures (approximately EUR 1.0 billion, including losses associated with the Lehman Brothers bankruptcy and the Bernard L. Madoff fraud). Furthermore, trading income was impacted by approximately EUR 500 million of losses due to a change in the valuation methodology of complex products that involve multiple unobservable inputs, such as correlation and interpolation, which have been adjusted to use the same estimation techniques as the ultimate parent company RBS. Trading income increases were noted in the Asian region, mainly due to higher results from local markets and global markets.
- The decrease in results from financial transactions is due mainly to the transfer of certain credit portfolios to RBS, including structured real estate loans, the notes held by the asset arbitrage conduit and the negative result on the transfer at fair value of the North America multi-seller conduits to RBS. Additionally the result has been impacted by negative valuation adjustments on equity investments including ABN AMRO's investment in a fund holding shares in Korean Exchange Bank. These negative results are partly offset by gains recorded on own debt held at fair value of approximately EUR 0.6 billion.
- Other operating income decreased by EUR 85 million, mainly due to the tax-exempt gains on the sale of ABN AMRO's 50% share in ABN AMRO Mellon Global Securities Services B.V. (EUR 139 million) included in the 2007 results.

Operating expenses

Operating expenses decreased by EUR 404 million, or 6.6%, to EUR 5,718 million, primarily as a result of lower performance related bonuses resulting from the decreased trading performance and a reduction in headcount. In 2008, operating expenses included a restructuring charge of EUR 657 million, compared with a restructuring release of EUR 39 million in 2007 (total increase of EUR 696 million).

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 2,263 million to EUR 2,609 million, mainly due to a provision relating specifically to LyondellBasell Industries (approximately EUR 1.1 billion) and further provisions related to global banking and markets, retail business, financial institutions and corporate clients.

Tax

The effective tax rate for 2008 is impacted by losses incurred in the year for which no deferred tax asset was recognised.

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

Profit for the year decreased by EUR 670 million to a loss of EUR 431 million. This reflects a decrease in operating income of EUR 326 million, an increase in operating expenses of EUR 435 million, an increase of EUR 166 million in loan impairments and other credit risk provisions, partly offset by a decrease of EUR 257 million in tax expenses.

Operating income

Operating income decreased by EUR 326 million, or 5.4%, to EUR 5,739 million predominantly due to negative fair value adjustments taken in the second half year 2007 in the European region, related to the first impacts of the credit crisis that developed from the adverse conditions in the sub-prime mortgage market in the US. The negative fair value adjustments of EUR 1,561 million (EUR 1,139 million after tax) were comprised of a negative valuation adjustment on monolines of EUR 606 million (EUR 440 million after tax); and a negative valuation adjustment of EUR 955

million on asset backed securities and collateralised debt obligation 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 results from financial transactions. The decrease was partly offset by the gains on the sale of ABN AMRO Mellon and by positive developments in the Asian region, driven by strong growth in consumer and commercial banking, and the American region, mainly as a result of the positive impact on the global markets activities of the decline in interest rates and the weakening US dollar.

- Net interest income increased by EUR 841 million which was mainly due to higher global markets income, as client income grew strongly.
- Other operating income increased by EUR 67 million, mainly due to the tax-exempt gains on the sale of ABN AMRO's 50% share in ABN AMRO Mellon Global Securities Services B.V. (EUR 139 million).

Operating expenses

Operating expenses increased by EUR 435 million, or 7.6%, to EUR 6,122 million reflecting higher staff costs as a result of an increase in full time equivalents (from 26,701 in 2006 to 32,888 in 2007) and an increase in bonus related expenses following the retention initiative and true-ups for the global markets business. Operating expenses also increased due to continued investments in the new branches and the acquisition of Prime Bank and Taitung Business Bank in the Asian region. During 2007 16 branches across China, India, Indonesia, Hong Kong and Malaysia have been opened. The operating expenses included a restructuring release of EUR 48 million in 2007, and a restructuring charge of EUR 79 million in 2006 (total decrease of EUR 127 million). Non-staff costs were lower compared to 2006 as the benefits from the savings initiatives announced in 2006 were realised.

Loan impairment and other credit risk provisions

Loan impairments and other credit risk provisions increased by EUR 166 million to EUR 346 million. This increase was mainly due to additions in the corporate clients portfolio and the change in the credit cycle, partly offset by improvements in the small and medium-sized enterprises and consumer credit portfolios.

Dutch State acquired

Selected information

The table sets out selected information relating to the Dutch State acquired segment for the years ended 31 December 2008, 2007 and 2006.

(in millions of euros)	2008	2007	2006
Net interest income	3,223	3,440	3,432
Net fee and commission income	1,322	1,541	1,422
Net trading income	190	155	126
Results from financial transactions	181	37	5
Share of result in equity accounted investments	31	54	51
Other operating income	242	335	339
Operating income	5,189	5,562	5,375
Operating expenses	3,786	3,610	3,554
Operating result	1,403	1,952	1,821
Loan impairment and other credit risk provisions	776	378	381
Operating profit/(loss) before tax	627	1,574	1,440
Tax	156	394	413
Net operating profit/(loss)	471	1,180	1,027
Total assets	177,114	161,335	154,398
Risk-weighted assets	91,718	86,913	81,991
Assets under Management (in billions of euros)	102	140	142
Full-time equivalent staff	23,040	23,593	23,556
Number of branches and offices	695	744	738
Efficiency ratio	73.0%	64.9%	66.1%

Results of operations for the years ended 31 December 2008 and 2007

Profit for the year decreased by EUR 709 million, or 60.1% to EUR 471 million. This was as a result of a decrease in operating income of EUR 373 million, an increase in operating expenses of EUR 176 million and an increase in loan impairment and other credit risk provisions of EUR 398 million, partially offset by a decrease in tax of EUR 238 million.

Operating income

Operating income decreased by EUR 373 million, or 6.7%, to EUR 5,189 million, mainly due to a decrease in net interest income, net fee and commission income and other operating income, partly offset by an increase in results from financial transactions.

- § Net interest income decreased by EUR 217 million, or 6.3%, mainly as result of the inclusion of a negative interest margin from the Group Asset and Liability Management portfolios economically allocated to the Dutch State from 1 April 2008, partly offset by interest revenues on the proceeds of the sale of Asset Management. Increased gross interest, resulting from higher mortgage volumes and commercial loans, did not compensate for the lower margins. Margins on deposits and savings also dropped due to the migration to higher yielding saving products and deposits.
- § Net fees and commission income decreased by EUR 219 million, or 14.2%, mainly due to lower Assets under Management levels in the Private Clients business which decreased by EUR 38 billion to EUR 102 billion. This

decline reflects a reduction in net new assets and lower asset values due to deteriorated financial markets in 2008.

§ Results from financial transactions increased by EUR 144 million, reflecting a positive result on the unwinding of some capital management related guarantee transactions.

§ Other operating income decreased by EUR 93 million, or 27.8%. The 2007 figures include the gain on the sale of some branches and offices.

Operating expenses

Operating expenses increased by EUR 176 million, or 4.9%, to EUR 3,786 million. The 2008 operating expenses include a restructuring charge of EUR 208 million, whilst in 2007 a restructuring allowance of EUR 48 million was released. The restructuring charge relates to integration and restructuring costs as well as costs related to the preparation for the possible sale resulting from the EC Remedy. Adjusted for the restructuring charge of EUR 208 million, operating expenses decrease by EUR 32 million, due to cost management actions throughout the year, partially offset by an increase in staff costs arising from a detailed review of staff related provisions and a provision for the estimated costs to the Group relating to the deposit guarantee scheme in the Netherlands.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions increased by EUR 398 million, to EUR 776 million, mainly related to the small and medium enterprise portfolio.

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

Profit for the year increased by EUR 153 million, or 14.9%, to EUR 1,180 million. This was as a result of an increase of EUR 187 million in operating income, an increase of EUR 56 million in operating expenses and a decrease of EUR 19 million in tax expenses.

Operating income

Operating income increased by EUR 187 million, or 3.5% to EUR 5,562 million, mainly due to an increase in net fee and commissions, net trading income and results from financial transactions.

- Net fee and commission income increased by EUR 119 million, or 8.4%, reflecting higher volumes in non-interest related products such as stocks, investment funds and structured products. Assets under Management decreased by EUR 2 billion to EUR 140 billion, reflecting the sale of the Miami, Uruguay, Vermogensgroep and UK Private Banking operations. Financial market conditions, especially in the fourth quarter of 2007, resulted in portfolio value reduction which was offset by a net inflow of new money in 2007.
- Net trading income and results from financial transactions increased by EUR 61 million, or 46.6%, reflecting favourable market circumstances.

Operating expenses

Operating expenses increased by EUR 56 million, or 1.6%, to EUR 3,610 million, reflecting higher staff costs as a result of an increase in full time equivalents, partly offset by lower internal settlements and lower costs for automation, consultancy and commercial expenses. In 2007, a restructuring allowance of EUR 48 million was released, whilst the 2006 operating expenses included a restructuring charge of EUR 4 million.

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Central Items

Central Items includes head office functions and items that are not allocated to individual Consortium Members such as the private equity portfolio and the investment in Saudi Hollandi Bank. Interest on settlement amounts accruing to Santander are also included.

Selected information

The table sets out selected information relating to Central Items, for the years ended 31 December 2008, 2007 and 2006.

(in millions of euros)	IFRS			Consolidation effect (1)			Excluding consolidation effect (non-GAAP measure)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Net interest income/(expense)	12	(1,010)	(533)	(45)	(220)	(342)	57	(790)	(191)
Net fee and commission income	(51)	204	92	-	-	-	(51)	204	92
Net trading income/(loss)	(399)	(125)	102	-	3	(3)	(399)	(128)	105
Results from financial transactions	(347)	906	621	(36)	46	15	(311)	860	606
Share of results in equity accounted investments	66	121	133	-	1	-	66	120	133
Other operating income	10	765	462	-	-	-	10	765	462
Income of consolidated private equity holdings	1,726	3,836	5,313	1,726	3,836	5,313	-	-	-
Operating income	1,017	4,697	6,190	1,645	3,666	4,983	(628)	1,031	1,207
Operating expenses	2,125	5,053	5,461	1,635	3,634	4,939	490	1,419	522
Operating result	(1,108)	(356)	729	10	32	44	(1,118)	(388)	685
Loan impairment and other credit risk provisions	2	(7)	107	-	-	-	2	(7)	107
Operating profit/(loss) before tax	(1,110)	(349)	622	10	32	44	(1,120)	(381)	578
Tax	(294)	(554)	(159)	10	32	44	(304)	(586)	(203)
Net operating profit/(loss)	(816)	205	781	-	-	-	(816)	205	781
Total assets (2)	11,508	177,087	262,909	435	1,698	4,537	11,073	175,389	258,372

Risk-weighted assets (2)	3,915	79,187	129,554				3,915	79,187	129,554
Full-time equivalent staff (2)	3,713	16,409	35,299	2,594	13,168	30,881	1,119	3,241	4,418
Number of branches and offices (2)	10	3,236	3,608				10	3,236	3,608
Efficiency ratio (3)	208.9%	107.6%	88.2%	99.4%	99.1%	99.1%	–	137.6%	43.3%

(1) This is the impact per line item of the private equity investments which are required to be consolidated under IFRS.

See the accounting policies section of the financial statements.

(2) Including discontinued operations.

(3) Negative efficiency ratios have been excluded.

Results of operations for the years ended 31 December 2008 and 2007

The result for the year decreased by EUR 1,021 million to a loss of EUR 816 million. This was as a result of a decrease in operating income of EUR 3,680 million (non-GAAP: decrease EUR 1,659 million), a decrease in operating expenses of EUR 2,928 million (non-GAAP: decrease EUR 929 million) and a decrease in tax benefit of EUR 260 million (non-GAAP: decrease EUR 282 million).

The decrease in IFRS operating income and operating expenses results from the decrease of the consolidation effect. The consolidation effect decreased due to the sale of Private Equity investments in 2008 and due to a change in management control in 2007. The portfolio of investments, since the change of control managed by an independent management company, is no longer consolidated, but instead is carried at fair value with value changes directly impacting the profit and loss account.

Operating income

Operating income decreased by EUR 3,680 million, or 78.3%, to EUR 1,017 million (non-GAAP: decrease EUR 1,659 million), mainly due to lower Group Asset and Liability Management results, negative results from the Private Equity portfolio (approximately EUR 0.8 billion) and lower results from our shareholding in Unicredit (approximately EUR 0.8 billion) that was fully divested in 2008. The results from the Private Equity portfolio and the shareholding in Unicredit were both negative in 2008. This was partly offset by the interest revenue on the proceeds of the sale of Banca Antonveneta and the sale of Banco Real accruing to Santander. The 2007 figures include the gain on the sale of ABN AMRO's stake in Capitalia which was settled in exchange for Unicredit shares (EUR 624 million) and the gain on the sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios managed in Switzerland and Luxembourg (EUR 77 million).

In the course of 2008, the majority of the Group Asset and Liability Management portfolios have been allocated to the businesses acquired by the respective Consortium Members. Consequently the majority of the Group Asset and Liability Management results are no longer recorded in Central Items.

- Net interest income increased EUR 1,022 million (non-GAAP: increased EUR 847 million), mainly due to the interest on the proceeds of the sale of Banca Antonveneta and the sale of Banco Real and due to the transfer of Group Asset and Liability Management portfolios as explained above.
- The results from net fee and commission income decreased by EUR 255 million, mainly due to the transfer of Group Asset and Liability Management portfolios as explained above.
- The results from net trading income decreased by EUR 274 million (non-GAAP: decrease EUR 271 million), mainly due to the transfer of Group Asset and Liability Management portfolios as explained above.
- Results from financial transactions decreased by EUR 1,253 million (non-GAAP: decrease EUR 1,171 million), mainly due to lower results from the Private Equity portfolio (approximately EUR 0.8 billion) and lower results from our shareholding in Unicredit (approximately EUR 0.8 billion) driven by stock price developments prior to disposal in 2008.
- Other operating income decreased by EUR 755 million to EUR 10 million. The 2007 figures include the gain on the sale of ABN AMRO's stake in Capitalia which was settled in exchange for Unicredit shares (EUR 624 million) and the gain on the sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios managed in Switzerland and Luxembourg (EUR 77 million).

Operating expenses

Operating expenses decreased by EUR 2,928 million (non-GAAP: decrease of EUR 929 million). The results in 2008 included a EUR 167 million restructuring charge, whereas 2007 included a restructuring release of EUR 14 million. Operating expenses in 2007 included a provision for the US Department of Justice investigation (EUR 365 million), transaction-related advisory fees (EUR 211 million), the break-up fee paid to Barclays (EUR 200 million), costs of accelerated vesting of share-based payments (EUR 117 million) and transition and integration costs (EUR 95 million).

Tax

Tax expense increased by EUR 260 million (non-GAAP: increased EUR 282 million) to a benefit of EUR 294 million (non-GAAP: EUR 304 million), mainly due to deferred tax asset impairments, while 2007 included higher tax-exempt gains on disposals as well as a tax release.

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

Profit for the year decreased by EUR 576 million to EUR 205 million. This was as a result of a decrease in operating income of EUR 1,493 million (non-GAAP: decreased EUR 176 million), a decrease in operating expenses of EUR 408 million (non-GAAP: increased EUR 897 million), a decrease in loan impairment and other credit risk provisions of EUR 114 million and an increase in tax benefit of EUR 395 million (non-GAAP: increased EUR 383 million).

Operating income

Operating income decreased by EUR 1,493 million, or 24.1%, to EUR 4,697 million; non-GAAP: decreased EUR 176 million, mainly due to lower proprietary trading results of the global markets activities reported in Central Items and higher funding costs. This was partly offset by gains on the credit default swap portfolio that benefited due to the general widening of the spread that occurred throughout the year (EUR 116 million), a gain on own credit risk (EUR 115 million), both recorded in results from financial transactions, the gain on the sale of Capitalia whose shares were settled for Unicredit shares (EUR 624 million) and the gain on the sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios managed in Switzerland and Luxembourg (EUR 77 million), both recorded in other income.

- Net interest income decreased EUR 477 million (non-GAAP: decreased EUR 599 million), mainly due to higher funding costs and lower investment income following lower sales of available-for-sale bonds than in 2006.
- Net trading income decreased by EUR 227 million (non-GAAP: decreased EUR 233 million) to a loss of EUR 125 million (non-GAAP: loss of EUR 128 million), mainly due to lower proprietary trading income on the global market business.
- The results from financial transactions increased EUR 285 million (non-GAAP: EUR 254 million) due to mark-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 the fair value related to own credit risk of EUR 115 million, partly offset by decreased gains on sales of available-for-sale bonds.
- Other operating income increased by EUR 303 million to EUR 765 million due to the gain on the sale of ABN AMRO's stake in Capitalia which was settled in exchange for Unicredit shares (EUR 624 million) and due to the gain on the sale of the Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios managed in Switzerland and Luxembourg (EUR 77 million). The 2006 figures include the gain on the sale of the Futures business (EUR 229 million) and the gain on the sale of Kereskedelmi és Hitelbank Rt. (EUR 208 million).

Operating expenses

Operating expenses decreased by EUR 408 million (non-GAAP: increase of EUR 897 million). Operating expenses in 2007 included a provision for the US Department of Justice investigation (EUR 365 million), transaction-related advisory fees (EUR 211 million), the break-up fee paid to Barclays (EUR 200 million), costs of accelerated vesting of share-based payments (EUR 117 million) and transition and integration costs (EUR 95 million). The results in 2006 included a EUR 5 million restructuring charge, whereas 2007 included a restructuring release of EUR 14 million.

Loan impairment and other credit risk provisions

Loan impairment and other credit risk provisions decreased by EUR 114 million to a release of EUR 7 million. The 2006 results included a provision for the Futures business (EUR 72 million) which was sold to UBS in that year.

Tax

Tax expense declined by EUR 395 million (non-GAAP: decreased EUR 383 million) to a benefit of EUR 554 million (non-GAAP: EUR 586 million), mainly due to higher tax-exempt gains on disposals as well as a tax release.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

Corporate Information

ABN AMRO Holding N.V. is the parent company of the ABN AMRO consolidated group of companies (referred to as the 'Group', 'ABN AMRO' or 'ABN AMRO Group'). ABN AMRO Holding N.V. is a public limited liability company, incorporated under Dutch law on 30 May 1990, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. The Group provides a broad range of financial services on a worldwide basis, including consumer, commercial and investment banking.

On 17 October 2007 RFS Holdings B.V. ('RFS Holdings'), a company incorporated by RBS, Fortis and Santander acquired 85.6% of ABN AMRO Holding N.V. ABN AMRO applied for de-listing of its ordinary shares from Euronext Amsterdam and the New York Stock Exchange. The de-listing of the ABN AMRO Holding N.V. ordinary shares and the (formerly convertible) preference shares with a nominal value of €2.24 each from Euronext Amsterdam and the de-listing of its American Depositary Shares ('ADSs') from the New York Stock Exchange was effected on 25 April 2008. Through subsequent purchases RFS Holdings increased its stake in ABN AMRO to 99.3% as at 31 December 2007. RFS Holdings started squeeze-out proceedings in order to acquire the remainder of the shares in ABN AMRO from minority shareholders and this procedure was completed on 22 September 2008. As a result RFS Holdings has now become the sole shareholder of ABN AMRO Holding N.V.

RFS Holdings B.V. is controlled by RBS Group plc, which is incorporated in the UK and registered at 36 St. Andrew Square, Edinburgh, Scotland. RBS is the ultimate parent company of ABN AMRO Holding N.V. The consolidated financial statements of the Group are included in the consolidated financial statements of RBS.

On 3 October 2008, the Dutch State acquired all Fortis' businesses in The Netherlands, including the Fortis share in RFS Holdings. On 24 December 2008, the Dutch State purchased from Fortis Bank Nederland (Holding) N.V. its investment in RFS Holdings, to become a direct shareholder in RFS Holdings.

Debt securities of ABN AMRO Holding N.V. are listed on the New York Stock Exchange and Euronext. As the rules of the Securities and Exchange Commission ('SEC') are applicable to foreign registrants, this annual report complies with the SEC rules and a cross reference table to the sections of the Form 20-F is included on page 225 of this report.

The consolidated financial statements of the Group for the year ended 31 December 2008 incorporate financial information of ABN AMRO Holding N.V., its controlled entities, interests in associates and joint ventures. The consolidated financial statements were signed and authorised for issue by the Supervisory Board and Managing Board on 20 March 2009. The right to request an amendment of the financial statements is embedded in the Netherlands Civil Code. Interested parties have the right to ask the Enterprise Chamber of the Amsterdam Court of Appeal for a revision of the financial statements.

Statement of compliance

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

Summary significant accounting policies

Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS on a mixed model valuation basis as follows:

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

The consolidated financial statements are presented in euros, which is the presentation currency of the Group, rounded to the nearest million (unless otherwise noted).

Certain amounts in the prior periods have been reclassified to conform to the current presentation. This includes the restatement for the classification of the Banco Real and other Santander acquired businesses as discontinued operation.

Adoption of IFRS standards and interpretations

IFRIC interpretation 11 'Group & Treasury Share Transactions' was issued in November 2006 and became effective for the Group on 1 January 2008. The interpretation provides further guidance on the implementation of IFRS 2 'Share-based Payment'. The adoption of this interpretation has no impact on the financial position or results of the Group.

IFRIC Interpretation 12 'Service Concession Arrangements' was issued in November 2006 and became effective for the Group on 1 January 2008. The interpretation gives guidance on the accounting by operators for public-to-private concession arrangements. The adoption of this interpretation has no impact on the financial position or results of the Group.

IFRIC Interpretation 14 IAS 19 'The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' addresses how entities should determine the amount of a surplus in a pension fund that can be recognised as an asset, how a minimum funding requirement affects that limit, and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19. This interpretation became effective on 1 January 2008. The adoption of this interpretation does not have a significant impact on the financial position or results of the Group.

IFRS 8 'Operating Segments' was issued in November 2006 and adopted by the EU in November 2007. It is effective for annual reporting periods beginning on or after 1 January 2009 but early adoption is permitted. The Group adopted IFRS 8 on 1 January 2007. The standard replaces IAS 14 'Segment Reporting' in setting out requirements for disclosure of information about an entity's operating segments, revenues derived from its products and services, the geographical areas in which it operates, and its major customers.

In October 2008 the IASB issued 'Reclassification of Financial Assets', amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'. The Group has applied these amendments from 1 July 2008. The amendments permit an entity to reclassify certain financial instruments out of the held-for-trading or out of the available-for-sale category and sets out additional disclosure requirements for such

reclassifications. The notes to the consolidated financial statements provide detailed disclosures as required by the reclassification amendment.

Critical accounting policies

The preparation of financial statements in conformity with IFRS requires management to make difficult, complex or subjective judgments and estimates, at times, regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures. Actual results could differ from those judgments and estimates. The most significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows:

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Allowance for loan losses

Allowances for loan losses are made for estimated losses in outstanding loans for which there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowance for loan losses is intended to adjust the value of the Group's loan assets for probable credit losses as of the balance sheet date. Allowances are determined through a combination of specific reviews, statistical modelling and estimates. Certain aspects require judgment, such as the identification of loans that are deteriorating, the determination of the probability of default, the expected loss, the value of collateral and current economic conditions. Though we consider the allowances for loan losses to be adequate, the use of different estimates and assumptions could produce different allowances for loan losses, and amendments to allowances may be required in the future, as a consequence of changes in the value of collateral, the amounts of cash to be received or other economic events. For a further discussion on our allowance for loan losses, see note 18 to our consolidated financial statements.

Fair value of financial instruments

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is little subjectivity in the determination of fair value. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist or valuation models, such as discounted cash flow calculation or Black-Scholes.

The Group refines and modifies its valuation techniques as markets and products develop and the pricing for such products becomes more or less transparent. Financial markets are sometimes subject to significant stress conditions where steep falls in perceived or actual asset values are accompanied by a severe reduction in market liquidity, such as recent events in the US sub-prime residential mortgage market. In such cases, observable market data may become less reliable or disappear altogether. Where there is doubt over the reliability of the market data due to either market illiquidity or unavailability, other valuation techniques are used. These alternative techniques would include scenario analysis and discounted cash flow calculations.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. Where inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to income at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Subsequent changes in fair value as calculated by the valuation model are reported in income.

Fair values include appropriate adjustments to account for known inadequacies in the valuation models or to reflect the credit quality of the instrument or counterparty. Factors that could affect estimates are incorrect model assumptions, market dislocations and unexpected correlation. We believe our estimates of fair value are adequate. However, the use of different models or assumptions could result in changes in our reported results. For a further discussion on the use of fair values and the impact of applying reasonable possible alternative assumptions as inputs, see note 37 to the consolidated financial statements.

Impairment of available-for-sale instruments

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset or reclassification into available-for-sale from trading have adversely affected the amount or timing of future cash flows from the assets.

Significant management judgement is involved where the determination of future cash flows requires consideration of a number of variables, some of which may be unobservable in current market conditions. This is the case for more complex instruments such as asset backed securities, where factors such as the estimated cash flows on underlying pools of collateral and changes in national or local conditions that correlate with defaults on the assets are considered. Further details are provided in note 14.

Assessment of risk and rewards

Whenever the Group is required to assess risks and rewards, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, the Group may sometimes be required to use judgment. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks and rewards may ultimately differ.

Pension and post-retirement benefits

Significant pension and post-retirement benefit costs are based on actuarial calculations. Inherent within these calculations are assumptions including: discount rates, salary increases and the expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, the return on assets or other factors. For a further discussion on the underlying assumptions, see note 27 to our consolidated financial statements.

Deferred tax

Deferred tax assets arise from a variety of sources, the most significant being: a) tax losses that can be carried forward to be utilised against profits in future years; and b) valuation changes of assets which need to be tax effected for accounting purposes but are taxable only when the valuation change is realised.

The Group records valuation allowances to reduce the deferred tax assets to the amount which can be recognised in line with the relevant accounting standards. The level of deferred tax asset recognition is influenced by management's assessment of the Group's historic and future profitability profile. At each balance sheet date, existing assessments are reviewed and, if necessary, revised to reflect changed circumstances. In a situation where recent losses have been incurred, the relevant accounting standards require convincing evidence that there will be sufficient future tax capacity.

Basis of consolidation

The consolidated financial statements are prepared annually for the year ended 31 December and include the parent company and its controlled subsidiaries as well as joint ventures on a proportionate share basis. Subsidiaries are included using the same reporting period and consistent accounting policies.

Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its

activities. The existence and effect of potential voting rights that are presently exercisable or convertible are taken into account when assessing whether control exists. The Group sponsors the formation of entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other narrow and well-defined objectives. Particularly in the case of securitisations these entities may acquire assets from other Group companies. Some of these entities hold assets that are not available to meet the claims of creditors of the Group or any of its subsidiaries. Such entities are consolidated in the Group's financial statements when the substance of the relationship between the Group and the entity indicates that control is held by the Group.

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

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

Business combinations

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

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

Equity accounted investments

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

Investments in associates of a private equity nature are designated to be held at fair value with changes through income, consistent with the management basis for such investments.

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

Jointly controlled entities

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

Non-current assets held for sale and discontinued operations

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held for sale are separately presented. Businesses that may be transferred to shareholders by means of a distribution will not be presented as businesses held for sale.

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

Transactions eliminated on consolidation

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

Currency translation differences

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

Transactions in a currency that differs from the functional currency of the transacting entity are translated into the functional currency at the foreign exchange rate at transaction date. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities accounted for at cost, and denominated in foreign currency are translated to the functional currency at the foreign exchange rate prevailing at the date of initial recognition.

Non-monetary assets and liabilities accounted for at fair value in a foreign currency are translated to the functional currency using the exchange rate at the date when the fair value was determined.

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

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

Fiduciary activities

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

Income statement

Interest income and expenses

Interest income and expense is recognised in the income statement using the effective interest rate method. The application of this method includes the amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. This item does not include interest income and expense in relation to trading balances which is included within net trading income.

Income from debt and other fixed-income instruments is recognised using the effective interest method in interest income.

Fee and commission income

Fees and commissions are recognised as follows:

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

Net trading income

Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income, dividends received from trading instruments as well as related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counter-party credit spreads and changes in ABN AMRO's credit spreads where it impacts the value of the Group's derivative liabilities. The charge related to the write-off of trading instruments is included in trading income.

Results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of certain hedging programmes, the change in fair value of derivatives used to hedge credit risks that are not included in hedge accounting relationships, fair value changes relating to assets and liabilities designated at fair value through income and changes in the value of any related derivatives. Dividend income from non-trading equity investments, excluding associated companies is recognised when entitlement is established.

Segment reporting

Operating segments are the segments that engage in business activities from which the bank earns income and incurs expenses. These segments are the reporting segments whose operating results are reviewed by the Managing Board on a monthly basis. Geographical data is presented according to the location of the transacting Group entity.

Financial assets and liabilities

Measurement classifications

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

Financial instruments held for trading are those that the Group holds primarily for the purpose of short-term profit-taking. These include shares, interest-earning securities, derivatives held for trading, and liabilities from short sales of financial instruments. Derivatives are financial instruments that require little or no initial net investment, with future settlements dependent on a reference benchmark index, rate or price (such as interest rates or equity prices). Changes in expected future cash flows in response to changes in the underlying benchmark determine the fair value of derivatives.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They generally arise when the Group provides money or services directly to a customer with no intention of trading or selling the loan.

Held-to-maturity assets are non-derivative financial assets quoted on an active market with fixed or determinable payments (i.e. debt instruments) and a fixed maturity that the Group has the intention and ability to hold to maturity. As of 31 December 2008 the Group no longer classifies financial assets into the held-to-maturity category and due to tainting rules can not do so until 31 December 2010.

Designated at fair value through income are financial assets and financial liabilities that the Group upon initial recognition designates to be measured at fair value with changes reported in income. Such a designation is done if:

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

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

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

Recognition and derecognition

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

Financial assets are generally derecognised when the Group loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire, substantially all risk and rewards are transferred, or not substantially all risk and rewards are transferred nor retained, although control is transferred. If a servicing function is retained, which is profitable, a servicing asset is recognised. A financial liability is derecognised when the obligations specified in the contract are discharged, cancelled or expire.

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

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

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

Measurement

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

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. 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 changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

All derivatives are recorded in the balance sheet at fair value with changes recorded through income except when designated in cash flow or net investment hedge relationship (see hedge accounting below).

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

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

When available, fair values are obtained from quoted market prices in active liquid markets. For instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist or valuation models, such as discounted cash flow or Black-Scholes. The Group refines and modifies its valuation techniques as markets and products develop and the pricing for individual products becomes more transparent.

Valuation models are validated prior to use by employees independent of the initial selection or creation of the models. Wherever possible, inputs to valuation models represent observable market data from reliable external data sources. Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data.

Where significant inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to income at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Subsequent changes in fair value as calculated by the valuation model are reported in income.

Fair values include appropriate adjustments to account for known inadequacies and uncertainties in valuation models or to reflect the credit quality of the instrument or counterparty.

The change in fair value of notes designated at fair value through income attributable to changes in credit risk are calculated by reference to the credit spread implicit in the market value of ABN AMRO's senior notes.

Reclassifications

Derivatives are not reclassified into and out of the fair value through profit or loss category whilst they are held or issued. Financial instruments designated at fair value through income upon initial recognition are not reclassified out of that category. Non-derivative financial assets classified as held for trading upon initial recognition, if they are no longer held for the purpose of selling or repurchasing in the near term, may be reclassified out of the fair value through income category if certain requirements are met. No financial instrument is reclassified into the fair value through income category after initial recognition.

Professional securities transactions

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

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

repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense.

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Netting and collateral

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

Hedge accounting

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

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

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

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

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

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of recognised or committed assets or liabilities, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the income statement, typically within results from financial transactions.

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

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from recognised assets, liabilities or anticipated transactions, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. When a cash flow hedging instrument or hedge relationship is terminated

but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

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

Hedge of a net investment in a foreign operation

The Group uses foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to Euro are recognised directly in the currency translation account in equity, insofar as they are effective. The cumulative gain or loss recognised in equity is transferred to the income statement on the disposal of the foreign operation.

Derivatives upon which the Group applies hedge accounting have been disclosed in Note 22 'Other assets' and Note 29 'Other liabilities'.

Impairment of financial assets

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

Loans and receivables

An indication that a loan may be impaired is obtained through the Group's credit review processes, which include monitoring customer payments and regular loan reviews of commercial clients every 6 or 12 months depending on the rating of the facility.

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

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

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

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

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

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

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

Renegotiated loans

Where possible, ABN AMRO seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the items have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans original effective interest rate.

Other financial assets

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

The Group performs a review of individual available-for-sale securities on a regular basis to determine whether any evidence of impairment exists. This review considers factors such as any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged, and the credit standing and prospects of the issuer.

Property and equipment

Own use assets

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

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

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

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

Leasing

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

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

Intangible assets

Goodwill

Goodwill is capitalised and stated at cost, being the excess of the cost of an acquisition over the fair value of the Group's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. If the recognition of the assessed fair value of acquired assets and liabilities at the time of acquisition took place on the basis of provisional amounts any changes in the assessed fair value of acquired assets and liabilities at the time of acquisition identified within one year following the acquisition are corrected against goodwill. Any revisions identified after one year are recorded in income.

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

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

Goodwill is not amortised but is subject to an annual test for impairment or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

Software

Costs that are directly associated with identifiable software products that are controlled by the Group, and likely to generate future economic benefits exceeding these costs, are recognised as intangible assets and stated at cost less accumulated amortisation and any adjustment for impairment losses. Expenditure that enhances or extends the performance of computer software beyond its original specification is recognised as a capital improvement and added to the original cost of the software. Software is amortised over 3 to 7 years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

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

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and any adjustment for impairment losses. Other intangible assets are comprised of separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. Amortisation is charged to the income statement systematically over the estimated useful lives of the intangible asset. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

Impairment of property and equipment and intangible assets

Property and equipment and intangibles are assessed at each balance sheet date or more frequently, to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review.

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

The impairment analysis of goodwill and other intangibles requires management to make subjective judgements concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behaviours and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates and specific industry or market sector conditions.

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

Pension and other post-retirement benefits

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

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

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

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

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

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

Share-based payments to employees

Until 2007, the Group engaged in equity and cash settled share-based payment transactions in respect of services received from certain of its employees. The cost of the services received was measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost related to the shares or share options granted was recognised in the income statement over the period that the services of the employees were received, which was the vesting period, with a corresponding credit in equity for equity settled schemes and a credit in liabilities for cash settled schemes. For cash settled schemes the fair value of the plan was determined for each reporting period and the changes were recognised in the income statement. In addition, the Group recognised the effects of modifications that increased the total fair value of the share-based payment arrangements or were otherwise beneficial to the employee in the income statement.

The fair value of the options granted was determined using option pricing models, which took into account the exercise price of the option, the current share price, the risk free interest rate, the volatility of the ABN AMRO share price over the life of the option and the terms and conditions of the grant. Non-market vesting conditions were taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services, so that ultimately the amount cumulatively recognised in the income statement would reflect the number of shares or share options that eventually vested. Where vesting conditions were related to market conditions, these were fully reflected in the fair value initially determined at grant date and as a result, the charges for the services received were recognised regardless of whether or not the market related vesting condition was met, provided that the non-market vesting conditions were met.

In case of cancellation or settlement of a grant of shares or share options during the vesting period, the amount that otherwise would be recognised over the remainder of the vesting period was immediately recognised in the income statement. Any payment made to the employee upon the cancellation or settlement of the grant was accounted for as a deduction from equity for equity settled schemes and as a deduction from the liability for the cash settled schemes.

Provisions

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

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

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

Other liabilities

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

Tax – current and deferred

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

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

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

Issued debt and equity securities

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

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

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

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

Share capital

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

Other equity components

Currency translation account

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

Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, related to hedged transactions that have not yet occurred.

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

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

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

Cash flow statement

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

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures. The cash flows of discontinued operations are separately reported in the period in which the operation qualifies as a held-for-sale business.

The presentation of the cash flow statement for 2007 and 2006 has been amended to conform to the current period presentation which does not separately disclose discontinued operations.

Future changes in accounting policies

ABN AMRO expects to adopt the following amended standards and interpretations with effect from 1 January 2009, where applicable pending their endorsement by the EU.

The IASB issued a revised IAS 23 'Borrowing Costs' in March 2007. The revised standard eliminates the option of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The Group does not expect adoption of the revised standard on 1 January 2009 to have a significant effect on the financial position or results of the Group.

A revised IAS 1 'Presentation of Financial Statements' was issued in September 2007 effective for accounting periods beginning on or after 1 January 2009. The revised standard aims to improve users' ability to analyse and compare information given in financial statements. Adoption of the revised standard will have no effect on the results reported in the Group's consolidated financial statements but will change the presentation of the results and financial position of ABN AMRO in certain respects.

The IASB issued an amendment to IFRS 2 'Share-based Payment' on 17 January 2008. The amendment, which is applicable for annual periods beginning on or after 1 January 2009, clarifies that vesting conditions comprise only service conditions and performance conditions. It also specifies the accounting treatment for a failure to meet a non-vesting condition. Adoption of the amendment will not have an impact on the financial position or results of the Group.

The IASB published 'Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements, Puttable Financial Instruments and Obligations Arising on Liquidation', on 14 February 2008. The amendments are applicable for annual periods beginning on or after 1 January 2009. ABN AMRO does not expect these revisions to have a significant impact on the financial position or results of the Group.

IFRIC interpretation 13 'Customer Loyalty Programmes' becomes effective for financial years beginning on or after 1 July 2008. This interpretation addresses how companies that grant their customers loyalty award credits (often called 'points') when buying goods or services should account for their obligation to provide free or discounted goods or

services if and when the customers redeem the points. The adoption of this interpretation on 1 January 2009 will not have a significant impact on the financial position or results of the Group.

IFRIC Interpretation 15 'Agreements for the Construction of Real Estate' was issued 3 July 2008 and becomes effective for financial years beginning on or after 1 January 2009. This interpretation standardises accounting practice across jurisdictions for the recognition of revenue by real estate developers before construction is complete. The main expected change in practice is a shift for some entities from recognising revenue as construction progresses to recognising revenue at a single time – at completion upon or after delivery. The adoption of this interpretation on 1 January 2009 will not have a significant impact on the financial position or results of the Group.

IFRIC Interpretation 16 'Hedges of a Net Investment in a Foreign Operation' was issued 3 July 2008 and becomes effective for financial years beginning on or after 1 October 2008. IFRIC 16 addresses three main issues. Firstly, the interpretation considers whether risk arises from (a) the foreign currency exposure to the functional currencies of the foreign operation and the parent entity, or from (b) the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. Secondly, it determines which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. Finally it discusses how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. The adoption of this interpretation on 1 January 2009 will not have a significant impact on the financial position or results of the Group.

The IASB published 'Improving Disclosures about Financial Instruments (Amendments to IFRS 7)' in March 2009. These amendments improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. The amendments are applicable for annual periods beginning on or after 1 January 2009. Adoption of the revised standard will have no effect on the results reported in the Group's consolidated financial statements but will change the presentation of the results and financial position of ABN AMRO in certain respects.

Consolidated income statement for the year ended 31 December

(in millions of euros)	2008	2007	2006
Interest income	22,080	22,734	19,340
Interest expense	16,297	18,139	15,117
Net interest income 3	5,783	4,595	4,223
Fee and commission income	3,068	4,181	4,047
Fee and commission expense	439	329	406
Net fee and commission income 4	2,629	3,852	3,641
Net trading income 5	(9,324)	1,119	2,627
Results from financial transactions 6	(1,684)	1,134	767
Share of result in equity accounted investments 19	106	223	186
Other operating income 7	306	1,239	873
Income from consolidated private equity holdings 41	1,726	3,836	5,313
Operating income	(458)	15,998	17,630
Personnel expenses 8	5,236	6,363	5,600
General and administrative expenses 9	4,070	4,821	4,594
Depreciation and amortisation 10	1,045	857	824
Goods and materials of consolidated private equity holdings 41	1,278	2,744	3,684
Operating expenses	11,629	14,785	14,702
Loan impairment and other credit risk provisions 18	3,387	717	668
Total expenses	15,016	15,502	15,370
Operating profit/(loss) before tax	(15,474)	496	2,260
Tax 11	(2,580)	(458)	213
Profit/(loss) from continuing operations	(12,894)	954	2,047
Profit from discontinued operations net of tax 45	16,489	9,021	2,733
Profit for the year	3,595	9,975	4,780
Attributable to:			
Shareholders of the parent company	3,580	9,848	4,715
Minority interest	15	127	65

Numbers stated against items refer to notes. The notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheet at 31 December

(in millions of euros)	2008	2007
Assets		
Cash and balances at central banks 13	5,854	16,750
Financial assets held for trading 14	212,653	242,277
Financial investments 15	67,061	96,435
Loans and receivables- banks 16	75,566	175,696
Loans and receivables- customers 17	270,507	398,331
Equity accounted investments 19	796	871
Property and equipment 20	2,035	2,747
Goodwill and other intangibles 21	924	1,424
Assets of businesses held for sale 45	1,583	60,458
Accrued income and prepaid expenses	7,011	12,580
Tax assets 28	5,100	4,875
Other assets 22	17,727	12,769
Total assets	666,817	1,025,213
Liabilities		
Financial liabilities held for trading 14	192,087	155,476
Due to banks 23	94,620	239,334
Due to customers 24	209,004	330,352
Issued debt securities 25	111,296	174,995
Provisions 26	4,144	6,544
Liabilities of businesses held for sale 45	864	39,780
Accrued expenses and deferred income	8,418	12,244
Tax liabilities 28	700	2,091
Other liabilities 29	15,012	18,072
Liabilities (excluding subordinated liabilities)	636,145	978,888
Subordinated liabilities 30	13,549	15,616
Total Liabilities	649,694	994,504
Equity		
Share capital 31	1,852	1,085
Share premium	5,343	5,332
Treasury shares 31	-	(2,640)
Retained earnings	11,096	25,650
Net gains/(losses) not recognised in the income statement	(1,214)	148
Equity attributable to shareholders of the parent company	17,077	29,575
Equity attributable to minority interests	46	1,134
Total equity	17,123	30,709
Total equity and liabilities	666,817	1,025,213
Guarantees and other commitments 34	42,148	55,140
Committed credit facilities 34	63,436	104,137

Numbers stated against items refer to the notes. The notes to the consolidated financial statements are an integral part of these statements.

Consolidated statement of changes in equity for the year ended 31 December

(in millions of euros)	2008	2007	2006
Share capital 31			
Balance at 1 January	1,085	1,085	1,069
Conversion of preference shares to ordinary shares	767	-	-
Exercised options and warrants	-	-	16
Balance at 31 December	1,852	1,085	1,085
Share premium			
Balance at 1 January	5,332	5,245	5,269
Share-based payments	10	145	111
Conversion of preference shares to ordinary shares	1	-	-
Dividends paid in shares	-	(58)	(135)
Balance at 31 December	5,343	5,332	5,245
Treasury shares 31			
Balance at 1 January	(2,640)	(1,829)	(600)
Share buy back	-	(1,847)	(2,204)
Utilised for dividends paid in shares	-	412	832
Utilised for exercise of options and performance share plans	-	624	143
Sale of treasury shares	3,708	-	-
Gain on sale of treasury shares	(1,068)	-	-
Balance at 31 December	-	(2,640)	(1,829)
Other reserves including retained earnings			
Balance at 1 January	25,650	18,599	15,237
Profit attributable to shareholders of the parent company	3,580	9,848	4,715
Dividends paid to shareholders of the parent company	(19,213)	(1,540)	(807)
Dividends paid in shares to shareholders of the parent company	-	(586)	(656)
Gain on sale of treasury shares	1,068	-	-
Settlement of share option and awards in cash 44	-	(743)	-
Other	11	72	110
Balance at 31 December	11,096	25,650	18,599
Net gains/(losses) not recognised in the income statement			
Currency translation account			
Balance at 1 January	597	408	842
Transfer to income statement relating to disposals	(903)	293	(7)
Currency translation differences	823	(104)	(427)
Subtotal – Balance at 31 December	517	597	408
Net unrealised gains/(losses) on available-for-sale assets			
Balance at 1 January	(543)	364	1,199
Net unrealised gains/(losses) on available-for-sale assets	(2,038)	(392)	(233)
Reclassification to the income statement	1,716	(515)	(602)
Subtotal – Balance at 31 December	(865)	(543)	364
Cash flow hedging reserve			
Balance at 1 January	94	(275)	(795)
Net unrealised gains/(losses) on cash flow hedges	(959)	315	735
Net losses/(gains) reclassified to the income statement	(1)	54	(215)
Subtotal – Balance at 31 December	(866)	94	(275)
Net gains /(losses) not recognised in the income statement at 31 December	(1,214)	148	497
Equity attributable to shareholders of the parent company at 31 December	17,077	29,575	23,597
Minority interest			

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Balance at 1 January	1,134	2,298	1,931
Additions/(reductions)	12	(853)	145
Acquisitions/(disposals)	(1,008)	(300)	203
Profit attributable to minority interests	15	127	65
Currency translation differences	(107)	(138)	(46)
Equity attributable to minority interests at 31 December	46	1,134	2,298
Total equity at 31 December	17,123	30,709	25,895

Numbers stated against items refer to the notes. The notes to the consolidated financial statements are an integral part of these statements.

Consolidated cash flow statement for the year ended 31 December

(in millions of euros)	2008	20071	20061
Operating activities			
Profit for the period	3,595	9,975	4,780
Adjustments for			
Depreciation, amortisation and impairment	1,152	1,271	1,352
Loan impairment losses	4,332	2,794	2,138
Share of result in equity accounted investments	(171)	(278)	(251)
Movements in operating assets and liabilities			
Movement in operating assets 35	199,957	(133,448)	(77,413)
Movement in operating liabilities 35	(246,314)	114,722	64,763
Other adjustments			
Dividends received from equity accounted investments	34	81	72
Net cash flows from operating activities	(37,415)	(4,883)	(4,559)
Investing activities			
Acquisition of investments	(245,561)	(201,808)	(180,228)
Sales and redemption of investments	263,840	197,850	172,454
Acquisition of property and equipment	(436)	(888)	(1,145)
Sales of property and equipment	94	674	256
Acquisition of intangibles (excluding goodwill)	(284)	(549)	(801)
Disposal of intangibles (excluding goodwill)	5	24	12
Acquisition of subsidiaries and equity accounted investments	(45)	(501)	(7,491)
Disposal of subsidiaries and equity accounted investments	23,907	15,736	1,845
Net cash flows from investing activities	41,520	10,538	(15,098)
Financing activities			
Issuance of subordinated liabilities	508	1,523	4,062
Repayment of subordinated liabilities	(918)	(1,225)	(4,430)
Issuance of other long-term funding	37,952	39,635	35,588
Repayment of other long-term funding	(56,323)	(33,284)	(14,343)
Sale of treasury shares	3,708	-	-
Share buy back	-	(1,847)	(2,204)
Utilised for exercise of options and performance share plans	-	624	143
Other	7	(1,723)	213
Dividends paid	(19,213)	(1,540)	(807)
Net cash flows from financing activities	(34,279)	2,163	18,222
Currency translation differences on cash and cash equivalents	3,975	62	264
Movement in cash and cash equivalents	(26,199)	7,880	(1,171)
Cash and cash equivalents at 1 January	12,752	4,872	6,043
Cash and cash equivalents at 31 December 35	(13,447)	12,752	4,872

Numbers stated against items refer to the notes. The notes to the consolidated financial statements are an integral part of these statements.

1 Comparative amounts have been restated to conform to current presentation.

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Notes to the consolidated financial statements
(unless otherwise stated, all amounts are in millions of euros)

1 Segment reporting

Segment information is presented in respect of the Group's business.

From 1 January 2009, ABN AMRO is comprised of three reportable segments, namely "RBS acquired", "Dutch State acquired" and "Central Items". The "RBS acquired" segment principally contains the international lending, international transaction services with operations in Europe, Asia and the Americas and the equities business of the RBS Group. The "Dutch State acquired" segment serves Dutch commercial clients, Dutch consumer clients, and Dutch and international private clients, and includes the International Diamond and Jewelry business. The "Central Items" segment includes items that are not allocated to but economically shared by the Consortium Members as well as settlement amounts accruing to Banco Santander S.A.

The Group presented segmental disclosures to reflect the above changes in its interim results for the period ended 30 June 2009, which was submitted and filed with the US Securities and Exchange Commission on Form 6-K dated 28 September 2009.

In 2008 the Group disclosed six reportable Business Units ('BU's), namely Europe, Americas, Asia, the Netherlands, Private Clients and Central Items. The change from six reportable BUs to three reportable segments reflects the focus of the Managing Board on the creation and subsequent legal separation of the Dutch State acquired businesses from the residual RBS acquired businesses into two separate independent banks, and the consequential impact that this progression has had on the management of the Group.

Measurement of segment assets, liabilities, income and results is based on the Group's accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment.

Central Items as noted includes items that are not allocated to but economically shared by the Consortium Members, as well as accumulated amounts accruing to Banco Santander S.A. arising from the disposal of Banco Real and other sales and settlements. In addition prior to April 2008, the majority of the Group Asset and Liability Management portfolios were economically shared prior to allocation to the respective Consortium Members. Since the allocation was effected on the basis of prospective agreements between Consortium Members, Group Asset and Liability Management results prior to this date are reported in Central Items. Remaining unallocated Group Asset and Liability Management portfolios continue to be reported in Central Items.

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Operating segment information for the year ended 31 December 2008

	RBS acquired	Dutch State acquired	Central Items	Subtotal	Discontinued Operations	Total
Net interest income - external	1,401	3,758	624	5,783		5,783
Net interest income - other segments	1,147	(535)	(612)	-		-
Net fee and commission income - external	1,461	1,223	(55)	2,629		2,629
Net fee and commission income - other segments	(103)	99	4	-		-
Net trading income	(9,115)	190	(399)	(9,324)		(9,324)
Result from financial transactions	(1,518)	181	(347)	(1,684)		(1,684)
Share of result in equity accounted investments	9	31	66	106		106
Other operating income	54	242	10	306		306
Income of consolidated private equity holdings	-	-	1,726	1,726		1,726
Total operating income	(6,664)	5,189	1,017	(458)		(458)
Total operating expenses	5,718	3,786	2,125	11,629		11,629
Loan impairment and credit risk provisions	2,609	776	2	3,387		3,387
Total expenses	8,327	4,562	2,127	15,016		15,016
Operating profit/(loss) before tax	(14,991)	627	(1,110)	(15,474)		(15,474)
Tax	(2,442)	156	(294)	(2,580)		(2,580)
Profit/(loss) from continuing operations	(12,549)	471	(816)	(12,894)		(12,894)
Profit from discontinued operations net of tax	-	-	-	-	16,489	16,489
Profit for the year	(12,549)	471	(816)	(12,894)	16,489	3,595
Other information at 31 December 2008						
Total assets	478,195	177,114	9,925	665,234	1,583	666,817
Of which equity accounted investments	158	210	428	796	-	796
Total liabilities	472,244	170,069	6,517	648,830	864	649,694
Capital expenditure	192	273	111	576	-	576
Depreciation and amortisation	481	334	230	1,045	-	1,045
Impairment of available-for-sale securities	333	-	-	333	-	333

Operating segment information for the year ended 31 December 2007

	RBS acquired	Dutch State acquired	Central Items	Subtotal	Discontinued Operations	Total
Net interest income – external	1,714	3,598	(717)	4,595		4,595
Net interest income - other segments	451	(158)	(293)	-		-
Net fee and commission income - external	2,543	1,346	(37)	3,852		3,852
Net fee and commission income-other segments	(436)	195	241	-		-
Net trading income	1,089	155	(125)	1,119		1,119
Result from financial transactions	191	37	906	1,134		1,134
Share of result in equity accounted investments	48	54	121	223		223
Other operating income	139	335	765	1,239		1,239
Income of consolidated private equity holdings	-	-	3,836	3,836		3,836
Total operating income	5,739	5,562	4,697	15,998		15,998
Total operating expenses	6,122	3,610	5,053	14,785		14,785
Loan impairment and credit risk provisions	346	378	(7)	717		717
Total expenses	6,468	3,988	5,046	15,502		15,502
Operating profit/(loss) before tax	(729)	1,574	(349)	496		496
Tax	(298)	394	(554)	(458)		(458)
Profit/(loss) from continuing operations	(431)	1,180	205	954		954
Profit from discontinued operations net of tax	-	-	-	-	9,021	9,021
Profit for the year	(431)	1,180	205	954	9,021	9,975
Other information at 31 December 2007						
Total assets	686,791	161,335	116,629	964,755	60,458	1,025,213
Of which equity accounted investments	257	230	360	847	24	871
Total liabilities	668,185	157,748	128,791	954,724	39,780	994,504
Capital expenditure	274	373	454	1,101	-	1,101
Depreciation and amortisation	226	287	344	857	-	857
Impairment of available-for-sale securities	-	-	-	-	-	-

Operating segment information for the year ended 31 December 2006

	RBS acquired	Dutch State acquired	Central Items	Subtotal	Discontinued Operations	Total
Net interest income – external	1,368	3,543	(688)	4,223		4,223
Net interest income - other segments	(44)	(111)	155	-		-
Net fee and commission income - external	2,242	1,295	104	3,641		3,641
Net fee and commission income-other segments	(115)	127	(12)	-		-
Net trading income	2,399	126	102	2,627		2,627
Result from financial transactions	141	5	621	767		767
Share of result in equity accounted investments	2	51	133	186		186
Other operating income	72	339	462	873		873
Income of consolidated private equity holdings	-	-	5,313	5,313		5,313
Total operating income	6,065	5,375	6,190	17,630		17,630
Total operating expenses	5,687	3,554	5,461	14,702		14,702
Loan impairment and credit risk provisions	180	381	107	668		668
Total expenses	5,867	3,935	5,568	15,370		15,370
Operating profit/(loss) before tax	198	1,440	622	2,260		2,260
Tax	(41)	413	(159)	213		213
Profit/(loss) from continuing operations	239	1,027	781	2,047		2,047
Profit from discontinued operations net of tax	-	-	-	-	2,733	2,733
Profit for the year	239	1,027	781	2,047	2,733	4,780
Other information at 31 December 2006						
Total assets	569,757	154,398	77,849	802,004	185,060	987,064
Of which equity accounted investments	42	183	900	1,125	402	1,527
Total liabilities	557,983	151,840	80,206	790,029	171,140	961,169
Capital expenditure	249	412	962	1,623	-	1,623
Depreciation and amortisation	211	307	306	824	-	824
Impairment of available-for-sale securities	-	-	-	-	-	-

Geographical segments

The geographical analysis presented below is based on the location of the Group entity in which the transactions are recorded.

	The Netherlands	Europe	North America	Latin America	Asia /Pacific	Total
2008						
Net interest income	3,674	841	256	80	932	5,783
Net commission income	915	947	199	10	558	2,629
Other income	(239)	(9,076)	(84)	44	485	(8,870)
Operating income	4,350	(7,288)	371	134	1,975	(458)
Total assets	280,960	305,429	19,170	1,817	59,441	666,817
Capital expenditure	418	75	25	1	57	576
2007						
Net interest income	2,654	857	134	65	885	4,595
Net commission income	964	1,070	448	80	1,290	3,852
Other income	5,732	922	336	9	552	7,551
Operating income	9,350	2,849	918	154	2,727	15,998
Total assets	309,659	510,540	80,526	46,581	77,907	1,025,213
Capital expenditure	464	180	130	239	88	1,101
2006						
Net interest income	2,637	695	193	48	650	4,223
Net commission income	1,150	1,230	342	33	886	3,641
Other income	7,397	1,663	156	41	509	9,766
Operating income	11,184	3,588	691	122	2,045	17,630
Total assets	289,984	419,691	168,533	36,976	71,880	987,064
Capital expenditure	899	179	315	141	89	1,623

2 Acquisitions and disposals of subsidiaries

Acquisitions 2008

During 2008 there were no acquisitions.

Disposals 2008

Transfer of businesses

As part of the separation process of the bank, entities and businesses, as well as portfolios, have been sold and transferred to the Consortium Members and other parties.

Sale of Asset Management

The sale of the shares in ABN AMRO Asset Management NV to Fortis Bank was completed in April. The sale price was EUR 3,699 million, resulting in a gain on sale of EUR 3,073 million.

Sale of Banca Antonveneta

The sale of Banca Antonveneta to Banca Monte dei Paschi di Siena was completed in May. The sale price was EUR 9,894 million, resulting in a gain on sale of EUR 2,357 million.

Transfer of remaining businesses to Santander

In July 2008 Banco ABN AMRO Real S.A. ('Banco Real'), Interbanca SpA and other entities acquired by Santander were sold to Santander for EUR 15,431 million resulting in a gain on sale of EUR 10,647 million.

Acquisitions 2007

Taitung Business Bank Taiwan

In September 2007 ABN AMRO acquired 100% of the shares of Taitung Business Bank Taiwan. The total consideration received amounted to EUR 147 million, resulting in goodwill recognised of EUR 160 million (see note 21).

Prime Bank Ltd (Pakistan)

In April 2007 ABN AMRO completed the acquisition resulting in a 96.2% stake in Prime Bank. The total consideration paid amounted to EUR 176 million with goodwill of EUR 139 million recognised on acquisition.

Disposals 2007

ABN AMRO North America Holding Company

In October 2007 the Group completed the sale of ABN AMRO North America Holding Company ('LaSalle Bank') which principally consisted of the retail and commercial banking activities of LaSalle Bank Corporation to Bank of America. ABN AMRO's North American Asset Management businesses and certain businesses within ABN AMRO's North American Global Markets and Global Clients operations did not form part of the sale. The sale price was USD 21 billion and resulted in a gain of EUR 7,163 million after tax.

ABN AMRO Capital Holdings B.V.

During the second quarter of 2007, ABN AMRO sold a majority of the shares of AAC Capital Holdings B.V., the management company of certain private equity investments held by the Group, to the executives of the management company. Also as part of the sale, the Bank transferred all power to govern the financial and operating policies of the management company and all investment decisions related to a significant portion of the Group's private equity investments (the Netherlands, Nordic and UK business of ABN AMRO Capital) resulting in the loss of control over these investments to a management company outside of ABN AMRO. The ownership of the underlying investments and therefore the economic interest in the investments has not changed. The loss of control over the management company resulted in the concerned investments to no longer be consolidated in the financial statements of the Group. As of the date of the transaction the investments are recognised and carried at fair value with changes through income. This transaction has resulted in a gain of EUR 108 million reported in results from financial transactions.

ABN AMRO Mellon Global Securities Services

In July 2007, ABN AMRO entered into a sale and purchase agreement with Mellon Bank N.A., Pittsburgh, USA to sell its 50% share in the joint venture ABN AMRO Mellon Global Securities B.V. (ABN AMRO Mellon). In December 2007 the sale was completed. The sale price amounted to EUR 387 million and resulted in a net gain of EUR 139 million.

Private Banking operations in Miami and Montevideo

In April 2007, BU Private Clients disposed of its operations in Miami and Montevideo to Banco Itau. The profit recognised on the sale included in other operating income, amounted to EUR 72 million after tax.

ABN AMRO Mortgage Group, Inc.

In February 2007 ABN AMRO closed the sale of ABN AMRO Mortgage Group, Inc., its US-based residential mortgage broker origination platform and servicing business, which includes ABN AMRO Mortgage Group, InterFirst and Mortgage.com, to Citigroup. Citigroup purchased approximately EUR 7.8 billion of net assets. The profit of the sale amounted to EUR 93 million after tax.

Interbank (NL) and DMC Groep

In November 2007 the Group closed the sale of Interbank N.V. and DMC Groep N.V. to SOFINCO for an amount of EUR 98 million. The gain on the sale amounted to EUR 56 million after tax.

Acquisitions 2006

Banca Antonveneta

In January 2006 the Group acquired a controlling interest in Banca Antonveneta. During 2005 the Group had already increased its interest in Banca Antonveneta from 12.7% to 29.9%. During 2006 the Group acquired 100% of the outstanding share capital of Banca Antonveneta.

Asset Management

In February 2006, BU Asset Management acquired International Asset Management Ltd. The integration of this acquisition was completed in May 2006. In June 2006, BU Asset Management increased its share in its Beijing joint venture to 49%.

Banco Real

In September 2006, the Group exercised its right to call Banca Intesa's remaining 3.86% holding in Banco Real. The total consideration for the acquisition of the shares amounted to EUR 233 million. After the exercise of the rights ABN AMRO owned 97.5% of the shares in Banco Real.

Disposals 2006

Kereskedelmi és Hitelbank Rt

In May 2006, ABN AMRO completed the sale of its 40% participation in Kereskedelmi és Hitelbank Rt of Hungary, as announced in December 2005.

Global Futures business

In September 2006 ABN AMRO sold the Global Futures business for an amount of EUR 305 million.

Bouwfonds non-mortgage

In December 2006 the Group disposed of the property development and management activities of its Bouwfonds subsidiary. The gain on the sale of Bouwfonds amounted to EUR 338 million.

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3 Net interest income

	2008	2007	2006
Interest income from:			
Cash and balances at central banks	311	282	220
Financial investments available-for-sale	3,929	3,835	3,354
Financial investments held-to-maturity	105	121	188
Loans and receivables-banks	1,216	1,422	1,211
Loans and receivables-customers	16,519	17,074	14,367
Subtotal	22,080	22,734	19,340
Interest expense from:			
Due to banks	4,270	4,656	3,601
Due to customers	7,508	9,114	7,217
Issued debt securities	5,156	6,521	5,946
Subordinated liabilities	703	759	846
Internal funding of the trading business	(1,340)	(2,911)	(2,493)
Subtotal	16,297	18,139	15,117
Total	5,783	4,595	4,223

The interest income accrued on impaired financial assets is EUR 30 million (2007: EUR 50 million).

4 Net fee and commission income

	2008	2007	2006
Fee and commission income			
Securities brokerage fees	876	1,399	1,671
Payment and transaction services fees	836	764	689
Asset management and trust fees	359	495	426
Fees generated on financing arrangements	130	278	163
Advisory fees	321	578	464
Other fees and commissions	546	667	634
Subtotal	3,068	4,181	4,047
Fee and commission expense			
Securities brokerage expense	103	83	321
Other fee and commission expense	336	246	85
Subtotal	439	329	406
Total	2,629	3,852	3,641

5 Net trading income

	2008	2007	2006
Interest instruments and credit trading	(9,276)	(1,531)	740
Foreign exchange trading	915	1,152	859
Equity and commodity trading	(1,017)	1,438	1,042
Other	54	60	(14)
Total	(9,324)	1,119	2,627

ABN AMRO recorded a gain of EUR 75 million (2007: EUR 98 million) in net trading income from changes in fair value of derivatives and other liabilities in the trading book attributable to changes in ABN AMRO's own credit risk.

6 Results from financial transactions

	2008	2007	2006
Net result on the sale of available-for-sale debt securities	(1,453)	157	437
Net result on the sale of loans and advances	(428)	(23)	-
Impairment of available-for-sale debt securities	(333)	-	-
Net result on available-for-sale equity investments	(67)	35	69
Fair value changes in own credit risk	490	251	-
Dividends on available-for-sale equity investments	54	9	26
Net result on other equity investments	(1,185)	669	435
Fair value changes of credit default swaps	1,330	116	(280)
Other	(92)	(80)	80
Total	(1,684)	1,134	767

The net result on the sale of available-for-sale debt securities includes a loss on portfolios held by a securities arbitrage conduit transferred to RBS of EUR 1.0 billion.

Results from financial transactions decreased, mainly due to lower results from the Private Equity portfolio (EUR 0.8 billion) and lower results from our shareholding in Unicredit (EUR 0.8 billion) that were driven by stock price developments prior to its disposal in 2008.

The net result on the sale of loans and advances represents the loss incurred on the sale of the Group's structured real estate loan portfolio to RBS. The net loss on financial assets and liabilities designated at fair value amounts to EUR 1.3 billion (2007: net profit EUR 0.4 billion).

7 Other operating income

	2008	2007	2006
Insurance activities	45	36	45
Leasing activities	78	82	61
Disposal of operating activities and equity accounted investments	(6)	894	453
Other	189	227	314
Total	306	1,239	873

The results from the disposal of operating activities and equity accounted investments for 2007 includes a gain on the sale of the Capitalia shares, of EUR 624 million, which were settled in Unicredit shares and the gain on sale of ABN

AMRO Mellon of EUR 139 million, Interbank/DMC of EUR 56 million, the private clients operations in Miami and Montevideo of EUR 77 million.

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Income from insurance activities can be analysed as follows:

	2008	2007	2006
Premium income	618	799	1,026
Investment income	(74)	161	217
Provision for insured risk	(499)	(924)	(1,198)
Total	45	36	45

8 Personnel expenses

	2008	2007	2006
Salaries (including bonuses and allowances)	3,486	4,676	4,278
Social security expenses	353	447	388
Pension and post-retirement healthcare costs	294	330	312
Share-based payment expenses	(16)	296	71
Temporary staff costs	248	260	282
Termination and restructuring related costs	469	65	171
Other employee costs	402	289	98
Total	5,236	6,363	5,600

Average number of employees (fte):

	2008	2007	2006
Banking activities Netherlands	24,044	26,041	25,762
Banking activities foreign countries	33,934	31,949	27,273
Consolidated private equity holdings	11,769	19,621	29,945
Total	69,747	77,611	82,980

9 General and administrative expenses

	2008	2007	2006
Professional fees	1,025	1,113	976
Information, communication and technology expenses	1,071	1,240	1,336
Property costs	507	491	475
Expenses of consolidated private equity holdings	136	332	466
Other general and administrative expenses	1,331	1,645	1,341
Total	4,070	4,821	4,594

10 Depreciation and amortisation

	2008	2007	2006
Property depreciation	111	117	128
Equipment depreciation	274	339	385
Software amortisation	307	328	289
Amortisation of other intangible assets (note 21)	11	23	4
Impairment losses on goodwill (1)	163	11	1
Impairment losses on property and equipment (note 20)	22	35	17
Impairment losses on software (note 21)	157	4	–
Total	1,045	857	824

(1) Includes EUR 72 million impairment losses on Private Equity goodwill and EUR 91 million impairment losses on other consolidated companies (see Note 21).

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11 Tax

Recognised in the income statement

	2008	2007	2006
Current tax expense			
Current year	684	1,306	1,453
Under/(over) provided in prior years	28	97	(96)
Subtotal	712	1,403	1,357
Deferred tax (benefit)/expense			
Origination and reversal of timing differences	(3,024)	(930)	(331)
Reduction in tax rate	46	55	3
Subtotal	(2,978)	(875)	(328)
Total	(2,266)	528	1,029
Continuing operations	(2,580)	(458)	213
Discontinued operations	314	930	827
Taxation on disposal	-	56	(11)
Total	(2,266)	528	1,029

Reconciliation of the total tax charge

Total tax charge continuing operations

The effective tax rate on the Group's result before tax differs from the theoretical amount that would arise using the statutory tax rate of the Netherlands. This difference can be explained as follows:

	2008	2007	2006
Dutch tax rate	25.5%	25.5%	29.6%
Current tax charge/(credit) at current rate on ordinary activities	(3,946)	126	669
Tax exempt income relating to private equity	52	(90)	10
Tax exempt profit on sales	(2)	(30)	(46)
Other tax exempt income	(93)	(179)	(72)
Total tax exempt income effect	(43)	(299)	(108)
Tax related to adjustments to prior years' tax calculations	28	97	(96)
Effect of deferred tax assets not recognised	1,403	47	10
Effect of changes in tax legislation	9	26	(97)
Effect of changes in tax rates	46	55	3
Amount of benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period used to reduce current tax expense	(32)	(65)	-
Amount of benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period used to reduce deferred tax expense	(1)	(93)	(1)
Other movements	(44)	(352)	(167)
Total	(2,580)	(458)	213

The effect of deferred tax assets not recognised mainly relates to unrecognised tax losses available for carry-forward (refer to note 28).

Total tax charge discontinued operations

	2008	2007	2006
Dutch tax rate %	25.5	25.5	29.6
Current tax charge at current rate on ordinary activities	4,284	2,574	1,053
Total tax exempt income effect	(4,099)	(1,865)	(97)
Other movements	129	221	(129)
Total	314	930	827

Recognised directly in equity

(Benefits)/charges	2008	2007	2006
Relating to currency translation	8	(81)	114
Relating to cash flow hedges	(284)	(158)	(223)
Relating to available-for-sale assets	(358)	389	190
Total	(634)	150	81

12 Fees to independent auditors

Following is a summary of the fees to our independent auditors for the years ended 31 December 2008, 2007 and 2006.

	2008	2007	2006
Audit fees	30.0	45.2	44.8
Audit-related fees	1.2	13.2	6.0
Tax fees	0.6	2.5	3.7
All other fees	0.7	0.6	0.3
Total fees	32.5	61.5	54.8

ABN AMRO Holding N.V. changed auditors in 2008. The audit fee for 2007 included costs relating to the audit of activities which were discontinued in 2008. Deloitte Accountants B.V. provided audit services to the amount of EUR 14.9 million. The remaining amounts relate to services provided by other Deloitte Member Firms.

Audit related fees consist mainly of accounting consultation and audits in connection with acquisitions and disposals of businesses, review of internal controls and advice on accounting control policies and procedures, attestation services not required by statute or regulation and consultation concerning financial accounting and reporting standards. Tax fees consist of tax compliance, tax advice and tax planning services and assistance and advice related to tax audits and appeals. Other fees are related to risk management and corporate finance advisory services, and other non-prescribed services.

13 Cash and balances at central banks

This item includes cash on hand and deposits with central banks in countries in which the bank has a presence.

	2008	2007
Cash on hand	670	1,470
Balances at central bank	5,184	15,280
Total	5,854	16,750

The deposits with the central banks that represent the mandatory reserve deposits and are therefore not available for use in the Bank's day-to-day operations amount to EUR 3,414 million (2007: EUR 10,560 million).

14 Financial assets and liabilities held for trading

	2008	2007
Financial assets held for trading		
Dutch State	203	1,434
US Treasury and US government agencies	29	2,383
Other OECD governments	2,392	20,214
Non-OECD governments	1,598	4,196
Mortgage and other asset backed securities	9,170	16,191
Financial institutions	3,966	13,428
Non financial institutions	2,382	11,823
Other securities	1,587	3,196
Subtotal: Interest earning financial assets	21,327	72,865
Equity instruments	12,430	45,947
Derivative financial instruments	178,896	123,465
Total assets held for trading	212,653	242,277
Financial liabilities held for trading		
Short positions in financial assets	5,413	35,988
Derivative financial instruments	186,674	119,488
Total liabilities held for trading	192,087	155,476

The Group has executed master netting agreements with the majority of its derivative counterparties resulting in a significant reduction in its net exposure to derivative assets.

The total asset backed securities held for trading comprises prime RMBS (EUR 4.1 billion), CDO and CLO (EUR 4.2 billion) positions. The net exposure of the CDO and CLO positions are significantly lower (EUR 0.8 billion) than the carrying amounts presented as these assets are hedged by credit default swaps purchased from monolines insurers and other counterparties. The fair value of the credit default swaps are included in the derivatives held for trading.

The net exposure to monolines included in derivative financial instruments amounts to EUR 2.2 billion (2007: EUR 1.1 billion). The exposure increased as the value of the underlying positions against which protection had been purchased has continued to deteriorate which lead to an increase of the CDS gross fair value.

EUR 509 million of convertible bonds were reclassified from the trading portfolio to available-for-sale due to market illiquidity. Since reclassification losses of EUR 38 million have been recorded in the available-for-sale reserve.

The increase in derivative balances is partly explained by transactions with RBS. For further information refer to note 46.

Trading portfolio derivative financial instruments

		2008			2007		
		Notional amounts	Fair values		Notional amounts	Fair values	
			Assets	Liabilities		Assets	Liabilities
Interest rate derivatives							
OTC	Swaps	2,643,789	70,922	68,508	6,143,903	61,053	59,725
	Forwards	643,275	930	1,208	315,236	94	108
	Options (purchased)	165,738	12,890	-	288,756	4,922	-
	Options (sold)	146,059	-	18,365	313,688	-	5,906
Exchange	Futures	9,292	321	199	208,083	54	51
	Options (purchased)	-	-	-	398	-	-
	Options (sold)	-	-	-	337	-	-
	Subtotal	3,608,153	85,063	88,280	7,270,401	66,123	65,790
Currency derivatives							
OTC	Swaps	439,902	20,122	17,986	680,512	18,325	16,271
	Forwards	442,946	14,567	17,123	731,609	9,341	8,652
	Options (purchased)	61,709	8,360	-	61,117	2,773	-
	Options (sold)	72,733	-	8,951	73,134	-	3,648
Exchange	Futures	-	-	-	6,512	233	29
	Options (sold/purchased)	317	55	48	2,131	15	8
	Subtotal	1,017,607	43,104	44,108	1,555,015	30,687	28,608
Credit derivatives							
OTC	Swaps	509,322	41,246	42,585	1,604,766	17,216	15,542
Other							
OTC	Equity, commodity and other	16,172	2,889	2,094	115,340	1,862	1,530
	Equity options (purchased)	21,359	5,702	-	30,958	5,568	-
	Equity options (sold)	21,237	-	7,774	27,699	-	989
Exchange	Equity, commodity and other	14,509	537	1,379	14,617	151	48
	Equity options (purchased)	25,638	355	-	19,670	1,858	2,982
	Equity options (sold)	26,538	-	454	26,407	-	3,999
	Subtotal	125,453	9,483	11,701	234,691	9,439	9,548
Total		5,260,535	178,896	186,674	10,664,873	123,465	119,488

15 Financial investments

	2008	2007
Interest-earning securities: available-for-sale		
Dutch State	3,866	1,844
US Treasury and US Government	5,204	2,202
Other OECD governments	23,552	31,505
Non-OECD governments	4,152	8,316
Mortgage and other asset backed securities	22,572	30,528
Financial institutions	3,942	12,539
Non financial institutions	2,058	1,073
Other interest-earning securities	218	2,442
Subtotal	65,564	90,449
Interest-earning securities: held-to-maturity		
Dutch State	-	1,275
Other OECD governments	-	1,128
Other interest-earning securities	-	231
Subtotal	-	2,634
Total	65,564	93,083
Equity instruments		
Available-for-sale	837	1,013
Designated at fair value through income	660	2,339
Subtotal	1,497	3,352
Total	67,061	96,435

The total book value of financial investments has decreased in part as a result of a transfer of assets in a securities arbitrage conduit to RBS (EUR 6.7 billion), due to the sale of Banco Real and other businesses to Santander (EUR 6 billion).

The mortgage and asset backed securities of EUR 22.5 billion consists of EUR 10.9 billion European mortgage covered bonds and EUR 8 billion RMBS of mortgages guaranteed by the Dutch State. Furthermore EUR 3 billion European covered bonds are included in this position. At 31 December 2008 these were primarily AAA rated. The majority of the positions are held as part of the asset and liability management activities of the bank.

16 Loans and receivables – banks

This item is comprised of amounts due from or deposited with banking institutions.

	2008	2007
Current accounts	4,254	9,295
Time deposits placed	11,012	9,286
Professional securities transactions	39,453	150,338
Loans	20,893	6,779
Subtotal	75,612	175,698
Allowances for impairment (see note 18)	(46)	(2)
Total	75,566	175,696

17 Loans and receivables – customers

This item is comprised of amounts receivable from non-bank customers.

	2008	2007
Public sector	8,786	5,739
Commercial	138,484	144,613
Consumer	109,298	123,253
Professional securities transactions	13,193	98,270
Multi-seller conduits	5,264	29,457
Subtotal	275,025	401,332
Allowances for impairment (see note 18)	(4,518)	(3,001)
Total	270,507	398,331

During 2008 the majority of ABN AMRO's multi-seller conduits and the related issuance and sponsorship role have been transferred to RBS.

The decrease in the customer loans and receivables includes the impact from the sale of Banco Real and other businesses to Santander of EUR 28.3 billion.

18 Loan impairment charges and allowances

Loan provisioning-commercial loans

The Group reviews the status of credit facilities issued to commercial clients every 6 or 12 months, depending on the rating of the facility. Additionally, credit officers continually monitor the quality of the credit, the client and the adherence to contractual conditions. Should the quality of a loan or the borrower's financial position deteriorate to the extent that doubts arise over the borrower's ability to meet its contractual obligations, management of the relationship is transferred to the Financial Restructuring and Recovery function.

After making an assessment, Financial Restructuring and Recovery determines the amount, if any, of the specific allowances that should be made, after taking into account the value of collateral. Specific allowances are partly or fully released when the debt is repaid or expected future cash flows improve due to positive changes in economic or financial circumstances.

Loan provisioning-consumer loan products

The bank offers a wide range of consumer loan products and programs such as personal loans, home mortgages, credit cards and home improvement loans. Provisioning for these products is carried out on a portfolio basis with a provision for each product being determined by the portfolio's size and loss experience.

Our consumer loan portfolio policy states that, in general, when interest or principal on a consumer loan is 90 days past due (180 days past due, if mortgages), such loans are classified as non-performing and as a result the loans are considered impaired.

Allowances against a given portfolio may be released where there is improvement in the quality of the portfolio. For consumer loans, our write-off rules are determined on days past due and vary by type of product and legal jurisdiction.

Allowance for incurred but not identified losses

In addition to impairment allowances calculated on a specific or portfolio basis, the Group also maintains an allowance to cover undetected impairments existing within loans due to delays in obtaining information that would indicate that losses exist at the balance sheet date. This process includes an estimate by management to reflect current market conditions.

Allowances

	Banks	Commercial	Consumer	Total
2008				
Balance at 1 January	2	1,774	1,227	3,003
Reclassification related to businesses held for sale/discontinued operations	-	(351)	(711)	(1,062)
Subtotal	2	1,423	516	1,941
New impairment allowances	46	2,951	584	3,581
Reversal of impairment allowances no longer required	-	(141)	(10)	(151)
Recoveries of amounts previously written off	-	(32)	(11)	(43)
Total loan impairment and other credit risk provisions	46	2,778	563	3,387
Amount recorded in interest income from unwinding of discounting	-	(24)	-	(24)
Currency translation differences	-	4	9	13
Amounts written off (net)	(2)	(605)	(207)	(814)
Effect of (de)consolidating entities	-	12	(19)	(7)
Disposals of businesses	-	-	-	-
Reserve for unearned interest accrued on impaired loans	-	66	1	67
Balance at 31 December	46	3,654	863	4,563

The new impairment allowances of EUR 2,951 million include EUR 1,154 million in relation to the company exposure to LyondellBasell Industries.

	Banks	Commercial	Consumer	Total
2007				
Balance at 1 January	5	2,344	1,302	3,651
Reclassification related to businesses held for sale/discontinued operations	-	(547)	(172)	(719)
Subtotal	5	1,797	1,130	2,932
New impairment allowances	-	520	766	1,286
Reversal of impairment allowances no longer required	-	(186)	(39)	(225)
Recoveries of amounts previously written off	-	(331)	(13)	(344)
Total loan impairment and other credit risk provisions	-	3	714	717
Amount recorded in interest income from unwinding of discounting	-	(11)	-	(11)
Currency translation differences	-	(16)	30	14
Amounts written off (net)	(3)	(144)	(1,456)	(1,603)
Disposals of businesses	-	80	827	907
Reserve for unearned interest accrued on impaired loans	-	65	(18)	47
Balance at 31 December	2	1,774	1,227	3,003

The reconciliation of the allowance for impairment losses for loans and receivables:

Impairment

	Banks Commercial		Consumer			Total
		Mortgages	Personal loans	Credit cards	Other consumer	
2008						
Individual impairment	46	3,026	3	22	39	3,163
Collective impairment	-	628	105	132	508	1,400
Balance at 31 December	46					