

OFFERING CIRCULAR SUPPLEMENT
(To Offering Circular dated October 13, 1993)



ABN·AMRO

\$150,000,000

ABN AMRO Bank N.V.

New York Branch

7¹/₈% SUBORDINATED DEPOSIT NOTES, SERIES B, DUE 2093

Interest payable October 15 and April 15

In the event that the Notes become subject to Foreign Taxes (as defined in the Offering Circular), the Branch may be entitled to redeem the Notes as set forth under "Description of the Notes—Optional Redemption" in the Offering Circular dated October 13, 1993. Otherwise, the Notes are not redeemable prior to maturity.

The Notes offered hereby (the "Notes") are part of the subordinated deposit notes, Series B, of the New York branch (the "Branch") of ABN AMRO Bank N.V. (the "Bank") described in its Offering Circular dated October 13, 1993.

THE NOTES ARE NOT REQUIRED TO BE, AND HAVE NOT BEEN, REGISTERED UNDER THE SECURITIES ACT OF 1933. THE NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THE BANK AND THE BRANCH ARE NOT SUBJECT TO THE PERIODIC REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934.

PRICE 99.178% AND ACCRUED INTEREST

	<u>Price to Public(1)</u>	<u>Underwriting Discounts and Commissions(2)</u>	<u>Proceeds to Branch (1)(3)</u>
<i>Per Note</i>	99.178%	1.125%	98.053%
<i>Total</i>	\$148,767,000	\$1,687,500	\$147,079,500

(1) Plus accrued interest from October 15, 1993.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the United States federal securities laws.

(3) Before deduction of expenses payable by the Branch.

The Notes are offered, subject to prior sale, when, as and if accepted by the Underwriters. It is expected that delivery of the Notes will be made on or about October 20, 1993 through the book-entry facilities of The Depository Trust Company, against payment therefor in Federal Funds.

MORGAN STANLEY & CO.
Incorporated

CS FIRST BOSTON

MERRILL LYNCH & CO.

October 13, 1993

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BANK AND THE BRANCH AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY OR OTHER DEBT SECURITIES OF THE BANK OR THE BRANCH AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY DESCRIPTION OF SUBORDINATED DEPOSIT NOTES

The following description of the particular terms of the Notes offered hereby supplements, and in certain places modifies and supersedes, the description of the general terms and provisions of the Notes set forth in the accompanying Offering Circular, to which description reference is hereby made. Capitalized terms not defined herein have the meanings assigned to such terms in the Offering Circular.

General

The Notes will bear interest from October 15, 1993, payable semi-annually on each October 15 and April 15, beginning April 15, 1994, to the persons in whose names the Notes are registered at the close of business on the October 1 or April 1, as the case may be, next preceding such October 15 or April 15. The Notes are not redeemable prior to maturity by the Branch, except in the event that the Notes become subject to Foreign Taxes (as defined in the Offering Circular), in which case the Branch may be entitled to redeem the Notes as set forth under "Description of the Notes—Optional Redemption" in the Offering Circular dated October 13, 1993. The Notes will be issued under the Fiscal and Paying Agency Agreement described in the accompanying Offering Circular.

The Notes will be issued initially as book-entry notes. See "Description of the Notes—Book-Entry System." The Notes will be sold in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The Notes will constitute unsecured and subordinated debt obligations of the Bank and the Branch as a whole, subordinate and junior in right of payment, to the extent and in the manner provided in the Notes, to the Series A Notes, to all deposit liabilities and other liabilities and obligations for borrowed money of the Bank and the Branch (including all deposit liabilities and other liabilities of the Bank wherever located), except those liabilities which by their terms rank *pari passu* with or junior to the Notes. See "Description of the Notes—Subordination".

Under the terms of the Notes, the holders of the Notes will, by their purchase thereof, irrevocably waive their rights as "preferred creditors" under Section 606(4)(a) of the New York Banking Law and to any other preferences to which they may become entitled under Section 4(j) of the International Banking Act of 1978, as amended, and under any other similar law hereinafter enacted to the extent necessary to give effect to the subordination provisions of the Notes. See "Description of the Notes—Subordination" in the Offering Circular.

The Notes will have certain limited Events of Default as set forth in "Description of Notes—Events of Default under the Series B Notes" in the Offering Circular with respect to the bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank or in the event that any State or Federal regulatory or judicial authority takes possession of the Branch or of any substantial part of the property of the Branch.

Book-Entry Notes

Upon issuance, all Notes will be in book-entry form represented by Global Securities. Global Securities representing the book-entry Notes will be deposited with, or on behalf of, The Depository Trust Company (the "Depository") and registered in the name of a nominee of the Depository. Notes will not be exchangeable for Certificated Notes, provided that if the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Branch within 90 days, the Branch will issue Certificated Notes in exchange for the Global Securities. In addition, the Branch may at any time and in its sole discretion determine not to have Notes in book-entry form represented by the Global Securities, and, in such event, will issue Certificated Notes in exchange therefor.

A further description of the Depository's procedures with respect to Global Securities representing book-entry Notes is set forth in the attached Offering Circular under "Description of Notes—Book-Entry System". The Depository has confirmed to the Branch, the Bank, the Underwriters and the Fiscal Agent that it intends to follow such procedures.

UNDERWRITERS

Under the terms of and subject to the conditions contained in a Terms Agreement, dated October 13, 1993, the Underwriters named below have severally agreed to purchase, and the Bank and the Branch have agreed to sell to them severally, the respective principal amounts of Notes set forth opposite their respective name below:

<u>Name</u>	<u>Principal Amount of Notes</u>
Morgan Stanley & Co. Incorporated	\$ 50,000,000
CS First Boston Corporation	50,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	50,000,000
Total	<u>\$150,000,000</u>

The Terms Agreement provides that the obligation of the Underwriters to pay for and accept delivery of the Notes is subject to approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all the Notes if any are taken.

The Underwriters initially propose to offer the Notes to the public at the public offering price set forth on the cover page of this Offering Circular Supplement, and to certain dealers at a price which represents a concession not in excess of .625% of the principal amount of the Notes. The Underwriters may allow and such dealer may reallow a concession not in excess of .250% of such principal amount to the certain other dealers. After the initial offering of the Notes, the offering price and such concessions may be changed.

The Bank and the Branch have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the United States federal securities laws.

Certain of the Underwriters and their associates may be customers of, engage in transactions with, and perform services for, the Bank or the Branch in the ordinary course of business.

The Bank and the Branch do not intend to apply for listing of the Notes on a national securities exchange, but have been advised by the Underwriters that they presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Underwriters are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Underwriters. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.



U.S.\$1,000,000,000
ABN AMRO Bank N.V., New York Branch
Deposit Notes, Series A
Due from Nine Months to One Hundred Years from Date of Issue
Subordinated Deposit Notes, Series B
Due from Five Years to One Hundred Years from Date of Issue

ABN AMRO Bank N.V. (the "Bank"), New York branch (the "Branch"), may offer from time to time up to U.S.\$1,000,000,000 aggregate principal or face amount of its Deposit Notes, Series A (the "Series A Notes") and its Subordinated Deposit Notes, Series B (the "Series B Notes" and, together with the Series A Notes, the "Notes") (or, in the case of Foreign Currency Notes, the equivalent thereof at the Market Exchange Rate on the applicable trade dates in one or more foreign currencies or currency units). The Series A Notes will mature on any date from nine months to one hundred years from their dates of issue and the Series B Notes will mature on any date from five years to one hundred years from their dates of issue, each, as selected by the purchaser and agreed to by the Branch.

The Series A Notes will rank equally with other unsecured and unsubordinated liabilities and obligations of the Bank and the Branch. The Series B Notes will constitute subordinated debt obligations of the Bank and the Branch, subordinate and junior in right of payment, to the extent and in the manner provided in the Series B Notes, to the Series A Notes, to all deposit liabilities and other liabilities and obligations for borrowed money of the Bank and the Branch (including all deposit liabilities and other liabilities of the Bank wherever located), except those liabilities which by their terms rank *pari passu* with or junior to the Series B Notes. See "Description of the Notes—Subordination".

The Notes will be denominated in U.S. dollars or may be denominated in such foreign currencies or currency units as may be designated by the Branch in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the Notes are issuable in fully registered form in denominations of \$100,000 or any amount in excess thereof which is an integral multiple of \$1,000 or, in the case of Foreign Currency Notes, in the denominations indicated in the applicable Pricing Supplement; however, no Note will be issued for an offering price of less than \$100,000 (or the approximate equivalent thereof in such foreign currency or currency unit, as specified in the applicable Pricing Supplement).

The Notes offered hereby will be issued in global or definitive form, as specified in the applicable Pricing Supplement. A global Note representing Book-Entry Notes will be registered in the name of a nominee of The Depository Trust Company, which will act as Depository. Beneficial interests in Book-Entry Notes will be shown on, and transfers thereof will be effected only through, records maintained by participants of the Depository. Except as described herein under "Description of Notes — Book-Entry System", owners of beneficial interest in a global Note will not be considered the Holders thereof and will not be entitled to receive physical delivery of Notes in definitive form, and no global Note will be exchangeable except for another global Note of like denomination and terms to be registered in the name of the Depository or its nominee. See "Description of the Notes — Book-Entry System".

Unless otherwise specified in the applicable Pricing Supplement, the Interest Payment Dates for each Fixed Rate Note will be April 1 and October 1 of each year. The Interest Payment Dates for each Floating Rate Note will be set forth therein and in the applicable Pricing Supplement.

The interest rates, or interest rate formulas, if any, on the Notes will be established by the Branch at the time of issuance of such Notes and will be set forth therein and specified in the applicable Pricing Supplement. Interest rates, or interest rate formulas, on interest-bearing Notes are subject to change by the Branch from time to time, but no such change will affect the interest rate on any Notes theretofore issued or as to which an offer to purchase has been accepted by the Branch. Unless otherwise specified in a Pricing Supplement, interest-bearing Notes will bear interest at a fixed rate or at a floating rate determined by reference to the CD Rate, Commercial Paper Rate, Federal Funds Rate, LIBOR, Prime Rate or the Treasury Rate, or such other interest rate index or formula as is set forth in a Pricing Supplement, as adjusted by the Spread and/or Spread Multiplier, if any, applicable to such Notes. See "Description of the Notes".

The Notes may be issued as Indexed Notes, with the principal amount thereof payable at maturity or the interest payable on an Interest Payment Date determined by reference to an index to be specified in the applicable Pricing Supplement. The Notes may also be issued at a discount from the principal amount payable at maturity thereof and may constitute Original Issue Discount Notes. Zero Coupon Discount Notes will not provide for payments of interest. See "Description of the Notes — General" and "Taxation — United States Taxation".

If so specified in the applicable Pricing Supplement, the Notes may be subject to redemption, in whole or in part, prior to maturity at the option of the Branch at prices and on the terms specified in such Pricing Supplement. In addition, the Notes are subject to redemption in the event that payments thereunder become subject to Netherlands tax. See "Description of the Notes — Optional Redemption".

Unless otherwise indicated in the applicable Pricing Supplement, a Foreign Currency Note will not be sold in, or to or for the account of a resident of, the country issuing the Specified Currency in which such Note is denominated. See "Description of Notes — Special Provisions Relating to Foreign Currency Notes".

THE NOTES ARE NOT REQUIRED TO BE, AND HAVE NOT BEEN, REGISTERED UNDER THE SECURITIES ACT OF 1933. DEPOSITS OF THE BRANCH ARE NOT REQUIRED TO BE AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION. ACCORDINGLY, THE NOTES ARE NOT INSURED BY THE FDIC OR ANY OTHER GOVERNMENT AGENCY. THE BANK AND THE BRANCH ARE NOT SUBJECT TO THE PERIODIC REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934.

	<u>Price to Public(1)</u>	<u>Agents' Discounts and Commissions(2)</u>	<u>Proceeds to Branch(2)(3)</u>
Per Note.....	100%	.125% — .875%	99.875% — 99.125%
Total(4).....	\$1,000,000,000	\$1,250,000 — \$8,750,000	\$998,750,000 — \$991,250,000

- (1) The Notes will be issued at 100% of their principal or face amount, unless otherwise agreed to by the Branch and specified in the applicable Pricing Supplement.
- (2) The Branch will pay a commission to each Agent ranging from .125% to .875% of the principal or face amount of any Note, depending upon maturity, sold through such Agent, and the Branch may sell Notes to an Agent, as principal, at negotiated discounts; provided that commissions with respect to Notes with maturities in excess of 30 years, which are sold through an Agent, will be as negotiated between such Agent and the Branch and set forth in the applicable Pricing Supplement; provided further that if the Notes are Original Issue Discount Notes, then Agents' Discounts and Commissions and Proceeds to Branch will be a similar percentage of the offering price rather than of the principal or face amount. The Branch has agreed to indemnify the Agents against certain liabilities, including liabilities under United States federal securities laws.
- (3) Before deduction of expenses payable by the Branch.
- (4) Or the equivalent thereof in foreign currencies or currency units.

Offers to purchase Notes are being solicited, on a reasonable best efforts basis, from time to time by Goldman, Sachs & Co., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated (the "Agents"), on behalf of the Branch. The Branch may also sell Notes to an Agent, as principal, for resale to investors and other purchasers at varying prices related to prevailing market prices at the time of resale to be determined by such Agent. The Branch has reserved the right to sell the Notes directly to investors. The Notes will not be listed on any securities exchange, and there can be no assurance that the Notes offered by this Offering Circular will be sold or that there will be a secondary market for the Notes. The Branch reserves the right to withdraw, cancel or modify the solicitations contemplated hereby without notice. No termination date for the solicitation of offers to purchase the Notes has been established. The Branch or the Agents may reject any offer in whole or in part. See "Plan of Distribution".

Goldman, Sachs & Co.

Merrill Lynch & Co.

**Morgan Stanley & Co.
Incorporated**

The date of this Offering Circular is October 13, 1993

SUPPLEMENTAL DOCUMENTS

Attached as Annex A to, and forming a part of, this Offering Circular is the most recent Annual Report in the English language of ABN AMRO Holding N.V., parent company of the Bank, and its domestic and international subsidiaries and affiliates (together, the "ABN AMRO Group"). Attached as Annex B to, and forming a part of, this Offering Circular is the most recent Annual Report in the English language of the Bank. Attached as Annex C to, and forming a part of, this Offering Circular is the most recent Interim Report in the English language of the ABN AMRO Group. The Branch may from time to time make available, on written or oral request, copies of various supplemental materials which may contain information more current than that contained herein or in the most recent Annual Report or Interim Report, if any. Such information may be material to a prospective purchaser's decision to invest in Notes and, accordingly, should be reviewed before any commitment to purchase Notes is made. The Agents do not and will not accept any obligation, express or implied, to deliver any such supplemental materials to prospective purchasers. Prospective purchasers may determine whether any such supplemental materials are available, and may obtain copies thereof, by communication with the Branch at 335 Madison Avenue, New York, New York 10017; telephone number (212) 503-2400; Attention: Mr. M. Penstein.

TRANSLATION OF DUTCH GUILDERS

The Bank maintains its accounts in Dutch guilders. Unless otherwise indicated, currency amounts referred to herein are stated in Dutch guilders ("NLG" or "guilders") or United States dollars ("U.S.\$", "\$", "U.S. dollars", or "dollars"). The exchange rate at which amounts expressed in guilders have been translated into U.S. dollars herein (other than amounts in Annex A, Annex B or Annex C or any other supplements hereto) is the noon buying rate in New York City for cable transfers in guilders as certified for customs purposes by the Federal Reserve Bank of New York ("Noon Buying Rate") prevailing on December 31, 1992, unless otherwise specified. The December 31, 1992 Noon Buying Rate was U.S. \$1.00 = NLG 1.8141. On October 11, 1993, the Noon Buying Rate was U.S. \$1.00 = NLG 1.8015.

ABN AMRO BANK N.V.

The Bank

The Bank is the result of a merger effective September 22, 1991 between Amsterdam-Rotterdam Bank N.V. ("Amro") and Algemene Bank Nederland N.V. ("ABN"). Prior to the merger, ABN and Amro were the largest and second largest banks in The Netherlands and, after giving effect to the merger, the Bank is the largest bank in The Netherlands, the sixth largest bank in Europe and the fifteenth largest bank in the world as of December 31, 1992 (in each case based upon total assets). The merger of Amro and ABN to form the Bank followed the establishment of ABN AMRO Holding N.V. ("ABN AMRO") as the holding company for both Amro and ABN. The registered head office of the Bank is located at Foppingadreef 22, Amsterdam. The Branch is a New York licensed branch of the Bank, and the Bank is a limited liability corporation duly organized under the laws of The Netherlands.

As of December 31, 1992, the Bank had total assets of \$253.7 billion. As of such date and for the period then ended, the Bank accounted for approximately 100% of ABN AMRO Group's consolidated total assets, 99% of its consolidated total revenues and 96% of its consolidated net income.

The Bank provides a wide range of banking services for all sectors of the economy, in both the domestic and international markets, including a variety of commercial and investment banking services. The most recent Annual Report for the ABN AMRO Group in the English language outlines ABN AMRO Group and the Bank's organization, management, banking operations (international and domestic), capitalization and non-bank subsidiary operations. Also included in the Annual Reports for the ABN

AMRO Group and the Bank are the most recent audited financial information for ABN AMRO and the Bank, respectively, including the independent auditor's reports covering such financial statements. The applicable Netherlands generally accepted accounting principles followed in preparing these financial statements differ in various respects from generally accepted accounting principles applicable to U.S. banks. The major differences are described in the "Summary of Significant Differences between Netherlands and U.S. Accounting Principles and Practices" included elsewhere herein.

The New York Branch

The New York office of ABN was initially licensed by the Superintendent of Banks of the State of New York in January 1941. ABN has operated as a branch in New York since 1964. Amro was licensed by the Comptroller of the Currency in October 1981 and operated a branch in New York until September 1991, when, as a result of the merger between ABN and Amro, Amro's New York branch was combined with ABN's to form the current New York Branch of the Bank. The Branch is an unincorporated branch of the Bank and is not a separate subsidiary. The Branch is located at 335 Madison Avenue, New York, New York 10017 and 500 Park Avenue, New York, New York 10022.

REGULATION AND SUPERVISION OF THE BRANCH AND THE BANK

Regulation of the Bank in The Netherlands

General. The Bank is extensively regulated in The Netherlands by De Nederlandsche Bank N.V., the Dutch Central Bank (the "Dutch Central Bank"), on behalf of the Netherlands Minister of Finance.

The bank regulatory system in The Netherlands is a comprehensive system based on the provisions of the Act on the Supervision of the Credit System 1992, (the "ASCS 1992"). Certain EC banking directives made it necessary to amend the Act on the Supervision of the Credit System that had regulated the Dutch banking system since 1978, and the new ASCS 1992 entered into force on January 1, 1993.

The Bank is a "universal bank" under the terms of the ASCS 1992 because the Bank is engaged in the securities business as well as the commercial banking business. Certain provisions of the ASCS 1992, summarized below, may restrict the Bank's ability to make capital contributions or loans to its subsidiaries.

The supervision of credit institutions in The Netherlands by the Dutch Central Bank is largely laid down in directives issued by the Dutch Central Bank pursuant to their statutory authority. The directives presently in force were issued prior to the enactment of the ASCS 1992; accordingly, the ASCS 1992 did not lead to major changes in the supervision of the Bank in The Netherlands.

Supervision of Credit Institutions. Chapter II, Part 3 (Sections 18 through 30) of the ASCS 1992 deals with the supervision of the business of credit institutions. In general, the Minister of Finance of the Netherlands has delegated supervision of credit institutions to the Dutch Central Bank. The ASCS 1992 focuses on monetary supervision and supervision of solvency, liquidity and administrative organization, and authorizes the Dutch Central Bank to issue directives in each of these areas of supervision. In addition, the ASCS 1992 contains provisions regarding the (corporate) structure of credit institutions.

The present solvency directives of the Dutch Central Bank, amended on January 1, 1991, in accordance with the new solvency guidelines of the Council of the European Communities and the Bank for International Settlements, aim at relating the amount and type of risk-bearing operations, differentiated by degree of risk, to a minimum level of required "test capital".

For the Bank, the "test capital" consists of core capital and secondary capital. Core capital includes shareholders' equity, published reserves and minority interests. Secondary capital includes undisclosed reserves (*e.g.*, provision for general contingencies), revaluation reserves and subordinated loans. The amount of subordinated loans included in secondary capital may not exceed 50% of core capital, and the amount of secondary capital included in "test capital" may not exceed the amount of core capital. Also, goodwill and interests of more than 10% in non-consolidated banking and financial subsidiaries must be deducted from "test capital". The "test capital" requirement is a minimum of 8% of the risk-weighted total value of balance sheet assets and off-balance sheet items. The risk-weighting considers the debtor's risk, which depends on (1) the debtor's classification, (2) whether or not security is provided and (3) the country of origin of the debtor. Off-balance sheet items include guarantees, documentary credits, certain interest- and currency-related contracts, unused portions of committed credit facilities with an original maturity of over one year, note issuance facilities, and revolving underwriting facilities. The solvency rules are applied to the worldwide assets of Netherlands credit institutions.

In addition, there are limits to the amount of credit exposure allowed to individual borrowers. These limits are expressed as a percentage of "test capital" and are as follows: The Netherlands central government, The Netherlands local government and The Netherlands local banks (no limit); foreign central governments, multilateral development banks and foreign banks (50%), foreign local governments and other borrowers (25%). Facilities and loans to and investments in non-banks of 1% or more of the test capital must be registered with the Dutch Central Bank. For banks this limit is 3%.

The Dutch Central Bank has also issued liquidity directives designed to assure that liquid assets are held against certain liabilities so that liabilities can be met on the due date or on demand, as the case may be. Actual liquidity must be equal to or higher than the required liquidity, and actual cash liquidity (which includes assets with a very high liquidity) must be equal to or higher than the amounts of very liquid debts. Other liquidities include assets which, depending on negotiability, are considered to be liquid up to a certain percentage. The liquidity requirements for non-term liabilities depend on the expectations with respect to claims. Term liabilities, together with term assets, are compiled in a maturity-date calendar, with assets and obligations with the same term being balanced. If this results in a liability with a remaining term to maturity of less than one year, the liquidity requirement is 20%. For obligations amounting to more than 3% of total liabilities, there are additional liquidity requirements.

In the interests of supervision by the Dutch Central Bank, and to enable the Dutch Central Bank to monitor compliance with its directives, Article 55 of the ASCS 1992 provides that each supervised credit institution shall submit periodic returns. In accordance with the Dutch Central Bank directives, issued pursuant to this provision, the Bank files monthly returns with the Dutch Central Bank. These periodic returns must be certified by a registered accountant at least once a year. If, in the opinion of the Dutch Central Bank, a credit institution fails to comply with the Dutch Central Bank's directives concerning solvency, liquidity or administrative organization, the Dutch Central Bank will so notify the credit institution, and it may instruct the credit institution to behave in a certain manner. If the credit institution does not respond to the instructions to the satisfaction of the Dutch Central Bank, additional supervisory measures are available to the Dutch Central Bank.

Structural Supervision. The provisions of the ASCS 1992 require prior approval for certain changes in the structure of credit institutions, such as mergers, participations of over 5% of the outstanding share capital of a credit institution or 10% or more in another type of institution by voting or otherwise, the addition of a managing partner to the credit institution, repayments of capital or

distribution of reserves of the credit institution and financial reorganization. Approval will be denied if it is considered that sound banking policy may be jeopardized or that an undesirable effect on the credit system might result.

The value of an interest of 10% or more in an institution other than a credit institution or financial institution may not exceed 10% of the bank's "test capital". The total value of interests of more than 10% in an institution or financial institution other than a credit institution or financial institution may not exceed 30% of the bank's test capital.

Regulation of the Bank and the Branch in the United States

The Bank. The Bank's operations in the United States are subject to extensive regulation and supervision by federal and state banking authorities. The Bank's branches and agencies in the United States are licensed by state banking authorities under banking laws of the states in which such branches and agencies are located. The Bank's branches and agencies are examined by such state banking authorities, and must observe the banking regulations of such states. In addition, under the International Banking Act of 1978 (the "IBA"), as amended by the Foreign Bank Supervision Enhancement Act of 1991 (the "FBSEA"), the Bank's branches, agencies and representative offices are subject to examination and supervision by the Board of Governors of the Federal Reserve System ("Federal Reserve"). The Federal Reserve may examine each branch, agency and representative office of the Bank and may, under certain circumstances, order the Bank to terminate any such office. The Federal Reserve may also examine other offices or affiliates of the Bank conducting business in any state. The Bank must also obtain the prior approval of the Federal Reserve, as well as any state authorities, to establish any additional branch, agency or representative offices, and the Bank is restricted from opening new full service branches outside the State of Illinois, its "home state" designated in accordance with the requirements of the IBA.

The activities of the Bank's branches and agencies are limited not only by the law of the state in which they are located, but also by the IBA. After December 18, 1992, no state-chartered branch or agency of the Bank may engage in any type of activity that is not permissible for a federally chartered branch or agency of a foreign bank without the prior approval of the Federal Reserve. The Bank's branches and agencies are also subject to reserve requirements, restrictions on payment of interest on demand deposits and restrictions on the size of loans to one borrower pursuant to the IBA and implementing regulations of the Federal Reserve. As a result of its indirect ownership of a number of U.S. subsidiary banking organizations, the Bank also is registered with the Federal Reserve as a bank holding company and, as a result of its status as a bank holding company as well as its operation of branches and agencies in the United States, is subject to restrictions on its nonbanking activities in the United States and on interstate banking similar to those applicable to U.S. domestic bank holding companies.

The Branch. The Branch is licensed by the Superintendent of Banks of the State of New York (the "Superintendent") under the banking laws of the State of New York. The Branch is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition, under the IBA, the Branch is subject to examination by the Federal Reserve, which is required to coordinate its examinations with those of the New York State Banking Department to the extent possible.

Under New York law and currently applicable regulations, the Branch must maintain with banks in the State of New York specified types of governmental obligations, dollar deposits, investment grade commercial paper, obligations of certain international financial institutions and other specified obligations in an amount equal to 5% of the liabilities of the Branch (excluding liabilities that are booked at its International Banking Facility), as security for the benefit of depositors and other creditors of the Branch. Under the banking laws of the State of New York, the Superintendent is also empowered to require branches of foreign banks to maintain in New York specified assets equal to such percentage

of the branches' liabilities as the Superintendent may designate. At present, the Superintendent has set this percentage at 0%, although specific asset maintenance requirements may be imposed upon individual branches on a case-by-case basis.

The banking laws of the State of New York authorize the Superintendent to take possession of the business and property of the New York branch of a foreign bank whenever the foreign bank enters into liquidation or an event occurs with respect to such branch which would permit the Superintendent to take possession of the business and property of a state-chartered bank in similar circumstances. In liquidating or dealing with the branch's business after taking possession of the branch, the claims of creditors which arose out of transactions with the branch are to be preferred with respect to the branch's assets over the claims of other creditors of the foreign bank, without prejudice to the rights of the holders of such preferred claims to be satisfied out of other assets of the foreign bank. The Legislature of the State of New York has recently enacted legislation to clarify, expand and strengthen the power of the Superintendent under the New York Banking Law (the "NYBL") to take possession of the business and property of the New York branch of a foreign bank. The legislation permits the Superintendent to accept only claims of creditors arising out of transactions with the Branch. Notwithstanding such change, the subordination provisions of Series B Notes affect the rights that the holders of the Series B Notes would otherwise be entitled to exercise as creditors against the assets of the Branch in New York.

In addition, under Section 4(j) of the IBA, if the Bank hereafter opens a federally licensed branch or agency in the United States, the Comptroller of the Currency may appoint a receiver who must take possession of all the property and all the assets of the Bank in the United States (including those of the Branch) applying United States federal law, which would generally accord a priority to creditors and depositors of the Bank with respect to their claims arising out of transactions by them with any branch or agency of the Bank located in any State of the United States.

The FBSEA provides, among other things, that the Federal Reserve may examine such a branch and provides that each branch of a foreign bank shall be examined at least once during each 12 month period in an on-site examination. The FBSEA also provides that the Federal Reserve may order a foreign bank that operates a state branch to terminate the activities of such branch if the Federal Reserve finds that the foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or that there is reasonable cause to believe that such foreign bank, or any affiliate of such foreign bank, has committed a violation of law or engaged in an unsafe or unsound banking practice in the U.S., and as a result of such violation or practice, the continued operation of the branch would not be consistent with the public interest or with the IBA, the Bank Holding Company Act of 1956, as amended, or the Federal Deposit Insurance Act. A foreign bank so required to terminate activities conducted at a branch in the U.S. must comply with the requirements of applicable federal and state law with respect to procedures for the closure or dissolution thereof. The FBSEA also provides that, commencing on December 19, 1992, a state branch of a foreign bank, such as the Branch, may not engage in any type of activity that is not permissible for a Federal branch of a foreign bank unless the Board has determined that such activity is consistent with sound banking practice. Based upon the activities presently conducted by the Branch, the Branch does not believe that this provision will materially limit the activities of the Bank in the U.S.

Section 6(b) of the IBA generally requires insurance of deposits of a branch of a foreign bank unless the branch does not accept deposits of less than \$100,000 or unless the Federal Deposit Insurance Corporation (the "FDIC") determines by order or regulation that the branch is not engaged in "domestic retail deposit activity" requiring deposit insurance protection. Because the Branch engages in a wholesale banking business and does not engage in significant retail deposit-taking, its deposits are not insured by the FDIC. Recently enacted Section 6(c) of the IBA provides that a foreign bank may not accept or maintain domestic retail deposit accounts having balances of less than \$100,000 and requiring deposit insurance protection, other than through an insured U.S. bank

subsidiary. The Federal Reserve issued a statement that a foreign bank may continue to conduct its deposit taking activities in conformity with the applicable regulations of the Comptroller of the Currency and the FDIC. The FDIC regulations have not changed and do not require the Branch to obtain deposit insurance protection. The Federal Reserve said it would review the need for implementing regulations but has not issued or proposed such regulations. In view of this statement, the Branch continues to conduct its deposit-taking activities in the manner it did prior to the enactment of Section 6(c) of the IBA, and to abide by such regulations. Depending on how the foregoing provisions of the IBA are ultimately interpreted and applied, the Branch may have to change or reduce its deposit-taking activities to ensure continued compliance. Such action would not, however, have a material effect on the operations of the Branch.

The Branch is generally subject under the NYBL to the same limits on loans to a single borrower as apply to a New York State-chartered bank, except that for the Branch such limits are based on the capital of the Bank. The FBSEA makes the Branch subject also to the same lending limits that apply to a federally-licensed branch of a foreign bank. Compliance with the FBSEA-imposed lending limits has not required the Branch to alter its lending activities in a material manner.

USE OF PROCEEDS

The Branch intends to use the net proceeds from the sale of the Notes for general banking purposes.

DESCRIPTION OF THE NOTES

General

The Notes are to be issued under a Fiscal and Paying Agency Agreement dated as of October 1, 1992 and amended as of May 12, 1993 (the "Agreement") between the Branch and Morgan Guaranty Trust Company of New York, a corporation organized under the laws of the State of New York, as fiscal agent (the "Fiscal Agent"), a copy of which is available for inspection at the office of the Fiscal Agent located at 60 Wall Street, New York, New York 10260.

The following summaries of certain provisions of the Agreement and the Notes do not purport to be complete and are subject to and are qualified in their entirety by reference to all of the provisions of the Agreement and the Notes including the definitions therein of certain terms. The following sets forth certain general terms and provisions of the Notes offered hereby. References to interest payments and interest-related information do not apply to Zero Coupon Notes (as defined below).

The terms and conditions set forth below will apply to each Series A and Series B Note unless otherwise specified herein or in the applicable pricing supplement (the "Pricing Supplement") and in such Note. The Agreement provides that an unlimited number of series and principal amount of the Notes may be issued thereunder. The Notes of these series are limited in aggregate principal or face amount to \$1,000,000,000 (or, in the case of Foreign Currency Notes (as defined below), the equivalent thereof at the Market Exchange Rate (as defined below) on the applicable trade dates in one or more foreign currencies or currency units).

The Series A Notes constitute unconditional liabilities of the Bank and Branch. The obligations of the Bank and Branch under the Series A Notes will rank equally with other unsecured indebtedness of the Bank and Branch which are not contractually subordinated to the payment of such obligations, subject to certain limited exceptions (including exceptions that may arise as a result of bankruptcy, insolvency or similar laws or the application of equitable principles). The Series B Notes will constitute unsecured and subordinated obligations of the Bank and the Branch, subordinate and junior in right of payment, to the extent and in the manner provided in the Series B Notes, to the Series A Notes, to all deposit liabilities and to other liabilities and obligations for borrowed money of the Bank and the

Branch (including all deposit liabilities and other liabilities of the Bank wherever located), except those liabilities which by their terms rank *pari passu* with or junior to the Series B Notes. See “Subordination”. The Notes are not insured by the FDIC or by any other government agency.

The terms of the Notes described herein, including the maturities and interest rates, if any, may differ from one Note of a series to another as well as from any other series of securities which may otherwise be issued under the Agreement. The Branch may from time to time, without the consent of the holders of Notes, provide for the issuance of other securities under the Agreement in addition to the Notes described herein.

The Series A Notes will be offered on a continuing basis and will mature on any date from nine months to one hundred years from their original dates of issue and the Series B Notes will mature on any date from five years to one hundred years from their dates of issue, each as selected by the purchaser and agreed to by the Branch.

Each Note will be represented by either a global security (a “Global Security”) registered in the name of a nominee of The Depository Trust Company, New York, New York (the “Depository”) (each such Note represented by a Global Security being herein referred to as a “Book-Entry Note”) or a certificate issued in definitive registered form, without coupons (a “Certificated Note”), as set forth in the applicable Pricing Supplement. Except as set forth under “Book-Entry System” below, Book-Entry Notes will not be issuable to beneficial owners in certificated form. So long as the Depository or its nominee is the registered owner of any Global Security, the Depository or its nominee, as the case may be, will be considered the sole owner or holder of the Book-Entry Note or Notes represented by such Global Security for all purposes under the Agreement and the Book-Entry Notes. See “Book-Entry System” below.

Unless otherwise specified in the applicable Pricing Supplement, the Notes will be denominated in United States dollars. The Branch may issue Notes in one or more foreign currencies or currency units (“Foreign Currency Notes”), as set forth in the applicable Pricing Supplement. See “Special Provisions Relating to Foreign Currency Notes”.

Unless otherwise specified in the applicable Pricing Supplement, the Notes, other than the Foreign Currency Notes, will be issued in denominations of \$100,000 or any amount in excess thereof which is an integral multiple of \$1,000; however, no Note will be issued for an offering price of less than \$100,000 (or the approximate equivalent thereof in the case of Foreign Currency Notes, as specified in the applicable Pricing Supplement). The authorized denominations of any Foreign Currency Note will be as set forth in the applicable Pricing Supplement.

The Notes may be issued with the principal amount payable at maturity and/or interest payable thereon to be determined with reference to an index set forth in the applicable Pricing Supplement (*e.g.*, currency exchange rates, composite currencies, financial or non-financial indices or commodity prices) (“Indexed Notes”). Holders of such Indexed Notes may receive a principal amount at maturity and interest payable thereon that is greater than or less than the face amount of such Notes depending upon movements in the specified index. Information as to the method for determining the principal amount payable at maturity, as to historical movements in the specified index and as to additional tax considerations, if any, will be set forth in the applicable Pricing Supplement.

If so specified in the applicable Pricing Supplement, the Notes may be subject to redemption, in whole or in part, prior to maturity at the option of the Branch at prices and on the terms specified in such Pricing Supplement. In addition, the Notes are subject to redemption in the event that payments thereunder become subject to Netherlands tax. See “Optional Redemption”.

Notes may be issued at a discount from the face amount thereof due at the stated maturity and with an amount other than the face amount payable upon redemption or upon acceleration due to default as set forth in such Notes as specified in the applicable Pricing Supplement (“Original Issue

Discount Notes”) and may either not pay any interest until the maturity of such Original Issue Discount Notes (“Zero Coupon Notes”) or pay interest at a fixed or floating rate. See also “United States Taxation”.

The Notes have not been registered with the Securities and Exchange Commission and are offered pursuant to an exemption from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. Accordingly, the Agreement is not required to be, and has not been, qualified under the Trust Indenture Act of 1939, as amended.

Interest Rate; Payments of Interest and Principal

Each interest-bearing Note will bear interest from the date of issue or from the most recent Interest Payment Date (or, if such Note is a Floating Rate Note and the Interest Reset Dates are daily or weekly, from the most recent record date) to which interest on such Note has been paid or duly provided for at the rate per annum stated, or in the case of Floating Rate Notes (as hereinafter defined), calculated pursuant to the interest rate formula set forth in the applicable Pricing Supplement until the principal thereof is paid or duly made available for payment. Interest will be payable on each Interest Payment Date (as defined below) and at maturity or earlier redemption. Unless otherwise specified in the applicable Pricing Supplement, Morgan Guaranty Trust Company of New York shall be the calculation agent (the “Calculation Agent”) with respect to the Notes.

Each interest-bearing Note will bear interest at either (a) a fixed rate (a “Fixed Rate Note”) or (b) a rate determined by reference to the interest rate index or formula specified in the applicable Pricing Supplement (a “Floating Rate Note”) (i) plus or minus (as specified in the applicable Pricing Supplement) the Spread, if any, and/or (ii) multiplied by the Spread Multiplier, if any. The “Spread” is the number of basis points specified in the applicable Pricing Supplement as being applicable to the interest rate for such Note, and the “Spread Multiplier” is the percentage specified in the applicable Pricing Supplement as being applicable to the interest rate for such Note. Any Floating Rate Note may also have either or both of the following: (i) a maximum interest rate limitation, or ceiling, on the rate of interest which may apply during any interest period; and (ii) a minimum interest rate limitation, or floor, on the rate of interest which may apply during any interest period. The applicable Pricing Supplement will designate one of the following interest rate bases as applicable to each Floating Rate Note: (a) the CD Rate (a “CD Rate Note”), (b) the Commercial Paper Rate (a “Commercial Paper Rate Note”), (c) the Federal Funds Rate (a “Federal Funds Rate Note”), (d) LIBOR (a “LIBOR Note”), (e) the Prime Rate (a “Prime Rate Note”), (f) the Treasury Rate (a “Treasury Rate Note”), or (g) such other interest rate basis as is set forth in such Pricing Supplement.

Interest rates and interest rate formulas are subject to change by the Branch from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Branch prior to the effective time of the change.

Interest payable on any Interest Payment Date for a Fixed Rate Note will be payable to the person in whose name such Fixed Rate Note is registered at the close of business on the record date for such interest which, unless otherwise specified in the applicable Pricing Supplement, shall be the March 15 or September 15 (whether or not a Business Day) next preceding the April 1 or October 1 Interest Payment Dates; provided, however, that interest payable at maturity or earlier redemption will be payable to the person to whom principal shall be payable. Interest payable on any Interest Payment Date for a Floating Rate Note will be payable to the person in whose name such Floating Rate Note is registered at the close of business on the record date for such interest, which shall be the 15th calendar day (whether or not such day is a Business Day) next preceding each Interest Payment Date; provided, however, that interest payable at maturity or earlier redemption will be payable to the person to whom principal shall be payable.

The total amount of any principal, premium, if any, and interest due on any Global Security representing one or more Book-Entry Notes on any Interest Payment Date or at maturity will be made available to the Fiscal Agent on such date. As soon as possible thereafter, the Fiscal Agent will make such payments to the Depository. The Depository will allocate such payments to each Book-Entry Note represented by such Global Security and make payments to the owners or holders thereof in accordance with its existing operating procedures. Neither the Branch nor the Fiscal Agent shall have any responsibility or liability for such payments by the Depository. So long as the Depository or its nominee is the registered owner of any Global Security, the Depository or its nominee, as the case may be, will be considered the sole owner or holder of the Book-Entry Note or Notes represented by such Global Security for all purposes under the Agreement and the Book-Entry Notes. The Branch understands, however, that under existing industry practice, the Depository will authorize the persons on whose behalf it holds a Global Security to exercise certain rights of holders of Securities. See "Book-Entry System".

Payment of the principal of and any premium and interest on Certificated Notes, other than Foreign Currency Notes, will be made at the office of the Branch or agency of the Branch maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Branch payment of interest payable other than at maturity may be made by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register. In the case of Foreign Currency Notes, see "Special Provisions Relating to Foreign Currency Notes".

Notwithstanding the above, a Holder of \$5,000,000 or more (or the equivalent in a Specified Currency as calculated on the applicable trade date) in aggregate principal amount of Notes shall be entitled to receive, with respect to amounts to be paid in U.S. dollars, payments of interest other than at maturity by wire transfer of immediately available funds if appropriate wire transfer instructions have been received by the Fiscal Agent in writing on or before the relevant record date. See "Special Provisions Relating to Foreign Currency Notes".

Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be payable on April 1 and October 1 of each year and upon maturity or earlier redemption. Unless otherwise specified in the applicable Pricing Supplement, interest on Floating Rate Notes will be payable, in the case of Notes which reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of January, April, July and October of each year, as specified in the applicable Pricing Supplement; in the case of Notes which reset quarterly, on the third Wednesday of January, April, July and October of each year, as specified in the applicable Pricing Supplement; in the case of Notes which reset semiannually, on the third Wednesday of the two months of the year that are six months apart specified in the applicable Pricing Supplement; and in the case of Notes which reset annually, on the third Wednesday of the month specified in the applicable Pricing Supplement; and in each case upon maturity or earlier redemption.

Each date on which interest is payable on a Note is referred to herein as an "Interest Payment Date". Any payment on any Note due on any day that is not a Business Day (as defined below) shall be postponed to the next day that is a Business Day; provided that no interest, with respect to such Interest Payment Date, will accrue for the period from and after such date; and provided further that in the case of a LIBOR Note, if such London Business Day is in the next succeeding calendar month, such payment shall be made on the immediately preceding London Business Day.

Fixed Rate Notes

Fixed Rate Notes will bear interest at the annual interest rate or rates specified on the face thereof and in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing

Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. Interest payments, with respect to a particular Interest Payment Date, will include interest accrued to, but excluding, such Interest Payment Date.

Floating Rate Notes

Interest payments for Floating Rate Notes, with respect to a particular Interest Payment Date (except in the case of Floating Rate Notes which reset daily or weekly), will include accrued interest from, and including, the date of issue or from, and including, the last Interest Payment Date in respect of which interest has been paid or duly provided for, as the case may be, to, but excluding, such Interest Payment Date. In the case of Floating Rate Notes which reset daily or weekly, unless otherwise specified in the applicable Pricing Supplement, interest payments will include accrued interest from, and including, the original date of issue or from, and including, the last date to which interest has been paid or duly provided for, as the case may be, to, but excluding, the record date next preceding the applicable Interest Payment Date, except that at maturity or earlier redemption the interest payable will include interest accrued to, but excluding, the maturity date or earlier redemption date.

Accrued interest on Floating Rate Notes will be calculated by multiplying the face amount of a Note by an accrued interest factor. This accrued interest factor will be computed by adding the interest factor calculated for each day from the original issue date or from the last date through which interest shall have been paid or duly provided for, as the case may be, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the applicable Pricing Supplement, the *interest factor for each such day will be computed by dividing the interest rate (expressed as a decimal) applicable to such day by 360, in the case of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes, and Prime Rate Notes, or by the actual number of days in the year (365 or 366, as the case may be), in the case of Treasury Rate Notes. The interest rate in effect on an Interest Reset Date will be the interest rate with respect to the Interest Determination Date (as defined below) pertaining to such Interest Reset Date, and the interest rate in effect on a day that is not an Interest Reset Date will be the interest rate with respect to the Interest Determination Date pertaining to the next preceding Interest Reset Date, subject in either case to any maximum or minimum interest rate limitation referred to above and to any adjustment by a Spread and/or a Spread Multiplier referred to above; provided, however, that (i) the interest rate in effect for the period from the date of issue to the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate specified in the applicable Pricing Supplement; and (ii) the interest rate in effect for the ten calendar days immediately prior to the maturity date or earlier redemption date will be that in effect on the tenth calendar day preceding such maturity date or redemption date, as the case may be.*

All percentages resulting from any calculations referred to in this Offering Circular will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (*e.g.*, 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts or amounts in a Specified Currency used in or resulting from such calculations will be rounded to the nearest cent or other similar unit (with one-half cent or one-half of such other unit being rounded upward).

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually (each an "Interest Reset Date"), as specified in the applicable Pricing Supplement. The Interest Reset Date will be, in the case of Floating Rate Notes which reset daily, each Business Day; in the case of Floating Rate Notes which reset weekly, Wednesday of each week, except, in the case of Treasury Rate Notes which reset weekly, Tuesday of each week, as more fully described below; in the case of Floating Rate Notes which reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes which reset quarterly, the third Wednesday of each January, April, July and October; in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of the two months of each year which are six months apart specified in the applicable

Pricing Supplement; and in the case of Floating Rate Notes which reset annually, the third Wednesday of one month of each year specified in the applicable Pricing Supplement. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except, in the case of a LIBOR Note, if such London Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding London Business Day.

The "Interest Determination Date" pertaining to an Interest Reset Date for CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, and Prime Rate Notes will be the second Business Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note will be the second London Business Day (as defined below) preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note will be the day of the week in which such Interest Reset Date falls on which Treasury bills are or (if no auction is held) would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for Treasury Rate Notes, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

"Business Day" means any day that is not a Saturday or Sunday and that is not a day on which banking institutions are generally authorized or obligated by law to close in The City of New York, and, if the Interest Rate Basis for a Floating Rate Note is LIBOR, is also a day on which dealings in deposits in U.S. dollars or the applicable Specified Currency are transacted in the London interbank market (a "London Business Day").

"Index Maturity" means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Pricing Supplement and in the Floating Rate Note.

The "Calculation Date", where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or maturity, as the case may be.

Upon the request of the holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate which will become effective on the next Interest Reset Date with respect to such Floating Rate Note. The Calculation Agent's determination of any interest rate will be final and binding in the absence of manifest error.

The applicable Pricing Supplement for a Floating Rate Note will specify the interest rate index and the Spread and/or Spread Multiplier, if any, and the maximum or minimum interest rate limitation, if any, applicable to each Floating Rate Note. The interest rate on the Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application. Under present New York law, subject to certain exceptions, the maximum rate of interest for any loan in an amount less than \$250,000 is 16%, and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to Notes in which \$2,500,000 or more has been invested. In addition, such Pricing Supplement will define or particularize for each Floating Rate Note the following terms, if applicable: Index Maturity, Initial Interest Rate, Interest Payment Dates and Interest Reset Dates with respect to such Note.

CD Rate Notes. CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in the CD Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Determination Date, (a) the rate on such date for negotiable certificates of deposit having the Index Maturity designated in the applicable Pricing Supplement (i) as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)" or (ii) if such rate is not so published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the CD Rate will be the rate as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication published by the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Certificates of Deposit" or (b) if such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the CD Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such Interest Determination Date, of three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in The City of New York (which may include one or more of the Agents) selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity designated in the applicable Pricing Supplement in a denomination of U.S. \$5,000,000; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate will be the CD Rate in effect on such Interest Determination Date.

Commercial Paper Rate Notes. Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in the Commercial Paper Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Determination Date, (a) the Money Market Yield (calculated as described below) of the rate on the Interest Determination Date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement, (i) as published in H.15(519) under the heading "Commercial Paper" or (ii) if such rate is not published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate shall be the Money Market Yield of the rate on such Interest Determination Date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement as published in Composite Quotations under the heading "Commercial Paper" or (b) if such yield is not published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on such Calculation Date, the Commercial Paper Rate shall be the Money Market Yield of the arithmetic mean of the offered rates quoted on a bank discount basis of three leading dealers of commercial paper in The City of New York (which may include one or more of the Agents) selected by the Calculation Agent as of 11:00 A.M., New York City time, on that Interest Determination Date, for commercial paper having the Index Maturity designated in the applicable Pricing Supplement placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on such Interest Determination Date.

“Money Market Yield” shall be the yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the per annum rate for commercial paper expressed as a decimal; and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Federal Funds Rate Notes. Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the Federal Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “Federal Funds Rate” means, with respect to any Interest Determination Date for Federal Funds, the rate on that date for Federal Funds, having the Index Maturity designated in the applicable Pricing Supplement, as published in H.15(519) under the heading “Federal Funds (Effective)”. In the event that such rate is not published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Federal Funds Rate will be the rate on such Interest Determination Date for Federal Funds as published in Composite Quotations under the heading “Federal Funds/Effective Rate”. If by 3:00 P.M., New York City time, on the Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, the Federal Funds Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction of not less than U.S. \$1,000,000 in overnight Federal Funds arranged by three leading dealers of Federal Funds transactions in The City of New York (which may include one or more of the Agents) selected by the Calculation Agent as of 9:00 A.M., New York City time, on such Interest Determination Date; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on such Interest Determination Date.

LIBOR Notes. LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in the LIBOR Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “LIBOR” will be determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to an Interest Determination Date, LIBOR will be determined on the basis of the offered rates for deposits of not less than U.S. \$1,000,000 (or the equivalent thereof in the applicable Specified Currency) having the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Business Day immediately following that Interest Determination Date, which appear on the display designated as page “LIBO” on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks) (“Reuters Screen LIBO Page”) as of 11:00 A.M., London time, on that Interest Determination Date. If at least two such offered rates appear on the Reuters Screen LIBO Page, the rate in respect of that Interest Determination Date will be the arithmetic mean of such offered rates as determined by the Calculation Agent. If fewer than two offered rates appear, LIBOR for such Interest Determination Date will be determined as described in (ii) below.

(ii) With respect to an Interest Determination Date on which fewer than two offered rates appear on the Reuters Screen LIBO Page as specified in (i) above, LIBOR will be determined on the basis of the rates at approximately 11:00 A.M., London time, on such Interest Determination

Date at which deposits in U.S. dollars (or the applicable Specified Currency) having the Index Maturity designated in the applicable Pricing Supplement are offered to prime banks in the London interbank market by four major banks in the London interbank market (which may include branches or affiliates of the Bank) selected by the Calculation Agent commencing on the second London Business Day immediately following that Interest Determination Date and in a principal amount equal to an amount of not less than U.S. \$1 million (or the equivalent thereof in the applicable Specified Currency) that in the Calculation Agent's judgment is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided following a request to at least four such banks, LIBOR for such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided following a request to at least four such banks, LIBOR for such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on that Interest Determination Date by three major banks in The City of New York (which may not include branches or affiliates of the Bank) selected by the Calculation Agent, for loans in U.S. dollars (or the applicable Specified Currency) to leading European banks having the Index Maturity designated in the applicable Pricing Supplement commencing on the second London Business Day immediately following such Interest Determination Date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 (or the equivalent thereof in the applicable Specified Currency) that in the Calculation Agent's judgment is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR will be the LIBOR in effect on such Interest Determination Date.

Prime Rate Notes. Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in the Prime Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Interest Determination Date, (a) the rate set forth on such date (i) as published in H.15(519) under the heading "Bank Prime Loan" or (ii) if such rate is not published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the display designated as page "NYMF" on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks) (the "Reuters Screen NYMF Page") as such bank's prime rate or base lending rate as in effect for that Prime Interest Determination Date or (b) if fewer than four such rates but more than one such rate appear on the Reuters Screen NYMF Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent or (c) if fewer than two such rates appear on the Reuters Screen NYMF Page, the Prime Rate will be determined by the Calculation Agent on the basis of the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least U.S. \$500 million and being subject to supervision or examination by Federal or State authority, selected by the Calculation Agent to provide such rate or rates; *provided, however*, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate will be the Prime Rate in effect on such Interest Determination Date.

Treasury Rate Notes. Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in the Treasury Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Interest Determination Date, the rate for the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity designated in the applicable Pricing Supplement as published in H.15(519) under the heading "Treasury bills — auction average (investment)" on each Interest Determination Date or, if not so published by 9:00 A.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the auction average rate (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) for such auction as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury bills having the Index Maturity designated in the applicable Pricing Supplement are not published or reported as provided above by 3:00 P.M., New York City time, on such Calculation Date or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be the yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers (which may include one or more of the Agents) selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the Index Maturity designated in the applicable Pricing Supplement; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on such Interest Determination Date.

Indexed Notes

Indexed Notes may be issued with the principal amount payable at maturity, or the amount of interest payable on an interest payment date, to be determined by reference to a currency exchange rate, composite currency, commodity price or other financial or non-financial index as set forth in the applicable Pricing Supplement. Holders of Indexed Notes may receive a principal amount at maturity that is greater than or less than the face amount of such Notes depending upon the value at maturity of the applicable index. Information as to the methods for determining the principal amount payable at maturity or the amount of interest payable on an interest payment date, as the case may be, any currency or commodity market to which principal or interest is indexed, foreign exchange risks and certain additional tax considerations with respect to Indexed Notes will be set forth in the applicable Pricing Supplement.

Zero Coupon Notes

Original Issue Discount Notes may be issued in the form of Zero Coupon Notes which do not provide any periodic payments of interest. The specific terms of any Zero Coupon Note will be set forth in the applicable Pricing Supplement.

Subordination

The Series B Notes are subordinated, unsecured obligations of both the Branch and the Bank as a whole. The principal of, and interest and any additional amounts payable on, the Series B Notes will be subordinate in right of payment (i) upon the occurrence of an event described under "Events of Default under the Series B Notes" with respect to the Series B Notes, all of which relate to the bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank, to the prior payment in full of the Series A Notes, the deposit liabilities of the Bank and all other liabilities of the Bank (including all deposit liabilities and other

liabilities of the Branch, the head office and all other offices of the Bank wherever located), except those liabilities which by their terms rank equally with or subordinate to the Series B Notes and (ii) in the event that the Superintendent takes possession of the business and property of the Branch, to the prior payment in full of the Series A Notes, the deposit liabilities of the Branch and all other liabilities of the Branch, except those liabilities which by their terms rank equally with or subordinate to the Series B Notes; provided, however, that in either case (i) or (ii) any amounts payable in respect of the Series B Notes will be subject to the prior written consent of the Dutch Central Bank.

The Series B Notes constitute unsecured and subordinated obligations of the Bank and the Branch and rank *pari passu* without any preference among themselves. The Series B Notes rank *pari passu* with all other unsecured and subordinated debt obligations of the Bank and the Branch (if any) other than any subordinated debt obligations which rank junior to the Series B Notes.

In order to implement such subordination, each Holder of a Series B Note, by its purchase thereof, shall be deemed to have agreed that in the event that proceedings with respect to bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank, the claims of the Holders of the Series B Notes will be subordinated in right of payment to the prior payment in full of the Series A Notes, the deposit liabilities of the Bank and all other liabilities of the Bank (including all deposit liabilities and other liabilities of the Branch, the head office and all other offices of the Bank wherever located), except those liabilities which by their terms rank equally with or subordinate to the Series B Notes. By virtue of such subordination, payments to Holders of the Series B Notes shall, in the event that proceedings with respect to bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank, only be made after, and any set-off by a Holder of Series B Notes shall be excluded until, (1) the prior payment in full of the Series A Notes, the deposit liabilities of the Bank and all other liabilities of the Bank (including all deposit liabilities and other liabilities of the Branch, the head office and all other offices of the Bank wherever located), except those liabilities which by their terms rank equally with or subordinate to the Series B Notes and (2) the prior written consent of the Dutch Central Bank is obtained.

A Holder of a Series B Note by its purchase of such Series B Note will also agree that should the Superintendent take possession or be in possession of the business and property of the Branch at a time when proceedings with respect to the bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank have occurred and are continuing, then the Superintendent will apply the assets of the Branch (1) first, to the payment in full of the Series A Notes, all deposit liabilities and all other liabilities of the Branch (other than the Series B Notes and other obligations of the Branch ranking in right of payment equally with or subordinate to the Series B Notes) and to any other claim accorded priority under any United States Federal or New York state law which is then due and payable, the priorities to be ascribed among such claims to be determined in accordance with such laws, and (2) thereafter, to pay any amount remaining to any receiver or similar official in insolvency of the Bank with similar powers appointed with respect to the Bank or its assets for application, (i) first, to the payment in full of all claims of depositors and other obligations of the Bank ranking senior in right of payment to the Series B Notes, and (ii) thereafter, to the payment, equally and ratably, of any amounts then due and owing on the Series B Notes and all obligations of the Bank ranking equally in right of payment with the Series B Notes, provided, however, that any amounts payable in respect of the Series B Notes in such case will be subject to the prior written consent of the Dutch Central Bank.

In addition, a Holder of a Series B Note will agree by its purchase of such Series B Note that should the Superintendent take possession or be in possession of the business and property of the Branch at any time when no proceedings with respect to the bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank have occurred and are continuing, the Superintendent will apply the assets of the Branch (1) first, to the payment in

full of the Series A Notes, all deposit liabilities of the Branch and all other liabilities of the Branch (other than the Series B Notes and other obligations of the Branch ranking equally with or subordinate to the Series B Notes) and to any other claim accorded priority under any United States Federal or New York state law which is then due and payable, the priorities to be ascribed among such claims to be determined in accordance with such laws, (2) second, to the payment of any amounts then due and owing on the Series B Notes and all obligations of the Branch ranking equally in right of payment with the Series B Notes, provided, however, that any amounts payable in respect of the Series B Notes in such case will be subject to the prior written consent of the Dutch Central Bank and (3) thereafter, to pay any amount remaining to the Bank.

The term "Special Measures" shall refer to the event by which a competent court has declared that the Bank is in a situation which requires special measures (referred to in Dutch as "bijzondere voorziening") in the interests of all creditors, as referred to in Chapter 10 of the Dutch Act on the Supervision of the Credit System, and as long as such situation is in force. In the event of Special Measures with respect to the Bank, a form of moratorium, provided for in Chapter 10 of the Dutch Act on the Supervision of the Credit System and specifically applicable to credit institutions established in The Netherlands will be applicable to the Bank.

Under the terms of the Series B Notes, the holders of the Series B Notes will, by their purchase of the Series B Notes, irrevocably waive their rights as "preferred creditors" under Section 606(4)(a) of the New York Banking Law and to any other preferences to which they may become entitled under Section 4(j) of the IBA and under any other similar law hereinafter enacted to the extent necessary to give effect to the subordination provisions of the Series B Notes. See "Regulation and Supervision of the Branch and the Bank—Regulation of the Bank and the Branch in the United States".

As a consequence of these subordination provisions, if proceedings with respect to the bankruptcy, insolvency, liquidation, moratorium or reorganization of the Bank or in the event of Special Measures with respect to the Bank should occur, or if the Superintendent should take possession of the business or property of the Branch, or both, the holders of Series B Notes may recover less ratably than the holders of Series A Notes, the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Bank or the Branch. In the event of a Netherlands bankruptcy or Special Measures with respect to the Bank, holders of the Series B Notes may file their claims with the trustee in bankruptcy or the receiver appointed in connection with the Special Measures. Whether or not payment will be received by holders of Series B Notes depends on the circumstances found by the trustee or the receivers during the bankruptcy or Special Measures. In a situation where Special Measures have occurred, the receivers may be empowered by the court to transfer all or a part of the obligations of the Bank which it has contracted in the pursuit of its business as a credit institution for the purpose of receiving repayable funds, or to liquidate the business of the Bank in full or in part. On the occasion of the transfer of obligations, the conditions in the agreements underlying these obligations may be changed. Both the transfer and any changes in such conditions shall take effect for all interested parties as from the day following the date of publication thereof in The Netherlands Government Gazette.

To the extent that holders of the Series B Notes are entitled to any recovery with respect to the Series B Notes in any Dutch proceedings, such holders might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Dutch guilders. The Branch will agree, pursuant to the terms of the Agreement, to indemnify the holders of the Series B Notes against certain losses incurred as a result of any judgment or order being given or made for any amount due under the Series B Notes and such judgment or order being expressed and paid in a currency other than U.S. dollars. See "Judgment Currency". Any amounts due under this indemnification with respect to the Series B Notes will be subordinated in right of payment in any such proceeding and any amounts payable in respect of the Series B Notes in such case will be subject to the prior written consent of the Dutch Central Bank.

At March 31, 1993 the Branch had outstanding liabilities to creditors (including deposits and debt) ranking senior to the Series B Notes ("Senior Liabilities") with an aggregate principal amount of approximately \$11.9 billion, excluding the inter-group liabilities. The Series B Notes will, as of the date of their issuance, constitute the only subordinated debt of the Branch. At March 31, 1993, the Bank, including the Branch, had outstanding Senior Liabilities with an aggregate principal amount of approximately \$257.6 billion. At March 31, 1993, the Bank had outstanding liabilities to creditors ranking equally with the Series B Notes with an aggregate principal amount of approximately \$5.4 billion. The Series B Notes do not limit the amount of liabilities ranking senior to the Series B Notes, which may hereafter be incurred or assumed by the Branch or the Bank.

Events of Default Under the Series A Notes

Under the Series A Notes, the following are Events of Default: (i) default in the payment of any interest upon any Series A Note when due, which continues for 30 days; (ii) default in the payment of the principal of any Series A Note when due (whether at maturity, upon redemption or otherwise); (iii) default in the performance of or breach of any covenant or agreement of the Branch or the Bank contained in the Agreement or in the Series A Notes, which continues for a period of 30 days after written notice to the Branch and the Fiscal Agent by holders of 10% aggregate principal amount of the outstanding principal amount of Notes; (iv) an order or decree for relief in an involuntary proceeding in respect of the Bank under any applicable United States Federal or State or Netherlands bankruptcy, insolvency, moratorium, reorganization or other similar law or adjudging the Bank a bankrupt or insolvent, or declaring that the Bank is in a situation which requires Special Measures, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Bank under any applicable United States Federal or State or Netherlands law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Bank or of any substantial part of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and any such decree or order for relief or any such other decree or order shall continue unstayed and in effect for a period of 60 consecutive days; (v) commencement by the Bank of a voluntary case or proceeding under any applicable United States Federal or State or Netherlands bankruptcy, insolvency, moratorium, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or to be declared to be in a situation which requires Special Measures, or the consent by the Bank to the entry of a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States Federal or State or Netherlands bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Bank, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any such applicable United States Federal or State or Netherlands law, or the consent by the Bank to the filing of such petition or to the appointment of or the taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Bank or of any substantial part of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the admission by the Bank of its inability to pay its debts generally as they become due, or the taking of corporate action by the Bank in furtherance of any such action; or (vi) any State or Federal regulatory or judicial authority taking possession of the Branch or of any substantial part of the property of the Branch or requiring the Branch to close or suspend or terminate its operations, otherwise than as a result of the voluntary closing or termination of the Branch when no other Event of Default shall have occurred and be continuing.

The term "Special Measures" shall refer to the event by which a competent court has declared that the Bank is in a situation which requires special measures (referred to in Dutch as "bijzondere voorziening") in the interests of all creditors, as referred to in Chapter 10 of the Dutch Act on the Supervision of the Credit System, and as long as such situation is in force. In the event of Special Measures with respect to the Bank, a form of moratorium, provided for in Chapter 10 of the Dutch Act

on the Supervision of the Credit System and specifically applicable to credit institutions established in The Netherlands will be applicable to the Bank.

Upon the occurrence of such an Event of Default, each holder of a Series A Note may, at such holder's option, declare the principal amount plus accrued interest on his Series A Note, or, in the case of a Zero Coupon Note or interest-bearing Original Issue Discount Note, the Amortized Face Amount (defined below), to be due and immediately payable by written notice to the Branch and the Fiscal Agent, and unless such Event of Default shall have been cured by the Branch prior to the receipt of such written notice, the principal amount plus accrued interest on his Series A Note, or, in the case of a Series A Note which is a Zero Coupon Note or interest-bearing Original Issue Discount Note, the Amortized Face Amount shall become and be immediately due and payable.

Unless otherwise specified in the applicable Pricing Supplement, the amount payable to the holder of a Series A Note which is a Zero Coupon Note or interest-bearing Original Issue Discount Note (as specified in the applicable Pricing Supplement) upon any acceleration of the maturity thereof will be the Amortized Face Amount (as defined below) thereof. The "Amortized Face Amount" of an Original Issue Discount Note is equal to the sum of (i) the Issue Price (as defined below) of such Original Issue Discount Note and (ii) that portion of the difference between the Issue Price and the principal amount of such Original Issue Discount Note that has been amortized at the Stated Yield (as defined below) of such Original Issue Discount Note (computed in accordance with Section 1272(a)(4) of the Internal Revenue Code of 1986, as amended, and Section 1.1275-1(b) of the Proposed Regulations (as defined under "Taxation — United States Taxation"), but in no event shall the Amortized Face Amount exceed the principal amount of such Note due at the stated maturity thereof. As used in the preceding sentence, the term "Issue Price" means the principal amount of such Original Issue Discount Note due at the stated maturity thereof less the "Total Amount of OID" of such Original Issue Discount Note specified on the face thereof and in the applicable Pricing Supplement. The term "Stated Yield" of such Original Issue Discount Note means the "Yield to Maturity" specified on the face of such Original Issue Discount Note and in the applicable Pricing Supplement for the period from the Original Issue Date of such Original Issue Discount Note, as specified on the face of such Original Issue Discount Note and in the applicable Pricing Supplement, to the stated maturity thereof based on its Issue Price and the principal amount payable at the stated maturity thereof. See "Taxation — United States Taxation".

Events of Default Under the Series B Notes

Under the Series B Notes, the following are Events of Default: (i) an order or decree for relief in an involuntary proceeding in respect of the Bank under any applicable United States Federal or State or Netherlands bankruptcy, insolvency, moratorium, reorganization or other similar law or adjudging the Bank a bankrupt or insolvent, or declaring that the Bank is in a situation which requires Special Measures, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Bank under any applicable United States Federal or State or Netherlands law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Bank or of any substantial part of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and any such decree or order for relief or any such other decree or order shall continue unstayed and in effect for a period of 60 consecutive days; (ii) commencement by the Bank of a voluntary case or proceeding under any applicable United States Federal or State or Netherlands bankruptcy, insolvency, moratorium, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or to be declared to be in a situation which requires Special Measures, or the consent by the Bank to the entry of a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States Federal or State or Netherlands bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Bank, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief

under any such applicable United States Federal or State or Netherlands law, or the consent by the Bank to the filing of such petition or to the appointment of or the taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Bank or of any substantial part of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the admission by the Bank of its inability to pay its debts generally as they become due, or the taking of corporate action by the Bank in furtherance of any such action; or (iii) any State or Federal regulatory or judicial authority taking possession of the Branch or of any substantial part of the property of the Branch or requiring the Branch to close or suspend or terminate its operations, otherwise than as a result of the voluntary closing or termination of the Branch when no other Event of Default shall have occurred and be continuing.

The term "Special Measures" shall refer to the event by which a competent court has declared that the Bank is in a situation which requires special measures (referred to in Dutch as "bijzondere voorziening") in the interests of all creditors, as referred to in Chapter 10 of the Dutch Act on the Supervision of the Credit System, and as long as such situation is in force. In the event of Special Measures with respect to the Bank, a form of moratorium, provided in Chapter 10 of the Dutch Act on the Supervision of the Credit System and specifically applicable to credit institutions established in The Netherlands will be applicable to the Bank.

Upon the occurrence of such an Event of Default, each holder of a Series B Note may, at such holder's option, declare the principal amount plus accrued interest on his Series B Note, or, in the case of a Zero Coupon Note or interest-bearing Original Issue Discount Note, the Amortized Face Amount (defined below), to be due and immediately payable by written notice to the Branch and the Fiscal Agent, and unless such Event of Default shall have been cured by the Branch prior to the receipt of such written notice, the principal amount plus accrued interest on his Series B Note, or, in the case of a Series B Note which is Zero Coupon Note or interest-bearing Original Issue Discount Note, the Amortized Face Amount shall become and be immediately due and payable. Upon the occurrence of such an Event of Default, any payments to a holder of Series B Notes will only be made after, and any set-off by a holder of Series B Notes will be excluded until, (1) the prior payment in full of the Series A Notes, all the deposit liabilities of the Bank and all other liabilities of the Bank (including all deposit liabilities and other liabilities of the Branch, the head office and all other offices of the Bank wherever located), except those liabilities which by their terms rank equally with or subordinate to the Series B Notes, have been satisfied and (2) the written consent of the Dutch Central Bank is obtained. The Holders of the Series B Notes shall have no right to accelerate payment of the Series B Notes in the case of a default in the payment of principal of, interest on, or other amounts owing under, the Series B Notes or a default in the performance of any other covenant of the Branch or the Bank contained in these Series B Notes or in the Agreement.

Unless otherwise specified in the applicable Pricing Supplement, the amount payable to the holder of a Series B Note which is a Zero Coupon Note or interest-bearing Original Issue Discount Note (as specified in the applicable Pricing Supplement) upon any acceleration of the maturity thereof will be the Amortized Face Amount (as defined below) thereof. The "Amortized Face Amount" of an Original Issue Discount Note is equal to the sum of (i) the Issue Price (as defined below) of such Original Issue Discount Note and (ii) that portion of the difference between the Issue Price and the principal amount of such Original Issue Discount Note that has been amortized at the Stated Yield (as defined below) of such Original Issue Discount Note (computed in accordance with Section 1272(a)(4) of the Internal Revenue Code of 1986, as amended, and Section 1.1275-1(b) of the Proposed Regulations (as defined under "Taxation — United States Taxation"), but in no event shall the Amortized Face Amount exceed the principal amount of such Note due at the stated maturity thereof. As used in the preceding sentence, the term "Issue Price" means the principal amount of such Original Issue Discount Note due at the stated maturity thereof less the "Total Amount of OID" of such Original Issue Discount Note specified on the face thereof and in the applicable Pricing Supplement. The term "Stated Yield" of

such Original Issue Discount Note means the “Yield to Maturity” specified on the face of such Original Issue Discount Note and in the applicable Pricing Supplement for the period from the Original Issue Date of such Original Issue Discount Note, as specified on the face of such Original Issue Discount Note and in the applicable Pricing Supplement, to the stated maturity thereof based on its Issue Price and the principal amount payable at the stated maturity thereof. See “Taxation — United States Taxation”.

Book-Entry System

Upon issuance, all Book-Entry Notes bearing interest (if any) at the same rate or pursuant to the same formula, having the same date of issuance, redemption provisions, if any, Specified Currency, Stated Maturity and other terms will be represented by a single Global Security. Each Global Security representing Book-Entry Notes will be deposited with, or on behalf of, the Depository or such other depository as is specified in the applicable Pricing Supplement, and will be registered in the name of the Depository or a nominee of the Depository.

Upon the issuance of a Global Security, the Depository for such Global Security or its nominee will credit the accounts of persons held with it with the respective principal or face amounts of the Book-Entry Notes represented by such Global Security. Such accounts shall be designated by the Agents with respect to Book-Entry Notes or by the Branch if such Notes are offered and sold directly by the Branch. Ownership of beneficial interests in a Global Security will be limited to persons that have accounts with the Depository (“participants”) or persons that may hold interests through participants. Ownership of beneficial interests by participants in a Global Security will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by the Depository or its nominee for such Global Security. Ownership of beneficial interests in such Global Security by persons *that hold through participants will be shown on, and the transfer of that ownership interests within such participant will be effected only through, records maintained by such participant.* The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

Payment of principal of and any premium and interest on Book-Entry Notes represented by any such Global Security will be made to the Depository or its nominee, as the case may be, as the sole registered owner and the sole Holder of the Book-Entry Notes represented thereby for all purposes under the Agreement. Neither the Branch, the Fiscal Agent nor any agent of the Branch or the Fiscal Agent will have any responsibility or liability for any aspect of the Depository’s records relating to or payments made on account of beneficial ownership interests in a Global Security representing any Book-Entry Notes or for maintaining, supervising or reviewing any of the Depository’s records relating to such beneficial ownership interests.

The Branch has been advised by the Depository that upon receipt of any payment of principal of or any premium or interest on any Global Security, the Depository will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal or face amount of such Global Security as shown on the records of the Depository. Payments by participants to owners of beneficial interests in a Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for customer accounts registered in “street name”, and will be the sole responsibility of such participants.

A Global Security may not be transferred except as a whole by the Depository to a nominee of the Depository. A Global Security representing Book-Entry Notes is exchangeable only if (x) the Depository notifies the Branch that it is unwilling or unable to continue as Depository for such Global Security or if at any time the Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and any other applicable statute or regulation, (y) the

Branch executes and delivers to the Fiscal Agent a written order that such Global Securities shall be exchangeable or (z) there shall have occurred and be continuing an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default with respect to the Notes represented by such Global Security. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Certificated Securities issuable in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof and registered in such names as the Depository holding such Global Security shall direct. Subject to the foregoing, the Global Security is not exchangeable, except for a Global Security of like denomination to be registered in the name of the Depository or its nominee.

So long as the Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Book-Entry Notes represented by such Global Security for the purposes of receiving payment on the Notes, receiving notices and for all other purposes under the Agreement and the Notes. Beneficial interests in Book-Entry Notes will be evidenced only by, and transfers thereof will be effected only through, records maintained by the Depository and its participants. Except as provided above, owners of beneficial interests in a Global Security will not be entitled to and will not be considered the Holders thereof for any purpose under the Agreement. Accordingly, each person owning a beneficial interest in such a Global Security must rely on the procedures of the Depository and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a Holder under the Agreement or the Notes. The Agreement provides that the Depository may grant proxies and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a Holder is entitled to give or take under the Agreement or the Notes. The Branch understands that under existing industry practices, in the event that the Branch requests any action of Holders or that an owner of a beneficial interest in such a Global Security desires to give or take any action which a Holder is entitled to give or take under the Agreement or the Notes, the Depository would authorize the participants holding the relevant beneficial interests to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

The Depository has advised the Branch that the Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under the Exchange Act. The Depository was created to hold the securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations, and certain other organizations some of whom (and/or their representatives) own the Depository. Access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Withholding Taxes

All payments of principal and any premium and interest by the Branch will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature by The Netherlands or any political subdivision thereof ("Foreign Taxes"), unless the withholding or deduction of such taxes or duties is required by law. In that event, the Branch will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by the Holder of a Note after such withholding or deduction shall equal the respective amounts of principal or interest that would have been receivable in respect of such Note in the absence of such withholding or

deduction, except that no such Additional Amount shall be payable with respect to a Note (i) to or for the benefit of a Holder who is liable for such taxes in respect of such Note by reason of his having some connection with The Netherlands other than the mere holding of such Note or the receipt of income therefrom; or (ii) more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to an Additional Amount on presenting the same for payment on or before such thirtieth day; or (iii) as a result of any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with The Netherlands or any political subdivision thereof of the Holder, if compliance is required by statute or by regulation of The Netherlands or any political subdivision or taxing authority thereof as a precondition to exemption from such tax, assessment or other governmental charge. In the event that any Note becomes subject to Foreign Taxes, the Branch may be entitled to redeem such Note as set forth below under "Optional Redemption". As used herein, the "Relevant Date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount of the monies payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect shall have been given to the Holder. Any Additional Amounts due on the Series B Notes on account of Foreign Taxes will be subordinated in right of payment as described under "Subordination" above.

Optional Redemption

Unless an Initial Redemption Date is specified in the applicable Pricing Supplement, the Notes will not be subject to redemption prior to maturity, except as set forth below. In respect of the Series B Notes, redemption shall only be effected after the Bank has obtained the prior written consent of the Dutch Central Bank. If an Initial Redemption Date is so specified with respect to any Note, the applicable Pricing Supplement will also specify one or more redemption prices (expressed as a percentage of the principal amount of such Note) and the redemption period or periods during which such redemption prices shall apply. Unless otherwise specified in the applicable Pricing Supplement, any such Note shall be redeemable, in whole or in part, at the option of the Branch at any time on or after such specified Initial Redemption Date at the specified redemption price applicable to the redemption period during which such Note is to be redeemed, together with interest accrued to the redemption date, provided that any remaining principal amount of any Note redeemed in part shall be at least \$100,000.

In addition, in the event that any Foreign Taxes shall be required to be withheld or deducted in respect of a Note and increased payments as described in "Withholding Taxes" above shall be required, the Branch shall be entitled, on written notice to the Holder and the Fiscal Agent, to redeem such Note on a date prior to the Maturity Date thereof (the "Alternative Payment Date"). The redemption price of such Note shall be the unpaid principal amount thereof plus interest accrued thereon at the applicable interest rate for such Note to the Alternative Payment Date or, in the case of an Original Issue Discount Note, the Amortized Face Amount. The Alternative Payment Date shall be such date as shall be set forth by the Branch in such notice to the Fiscal Agent, which in any event shall not be earlier than the thirtieth day after the Branch notifies the Fiscal Agent of its intention to redeem such Note. The Fiscal Agent shall notify the Holder of a Note that it is to be redeemed, which notice shall specify the Alternative Payment Date upon which such Note shall be redeemed and the procedures for the presentation of such Note to the Fiscal Agent by the Holder. No redemption of a Note shall reduce the obligation to make the increased payments described in the foregoing paragraph during the period prior to such redemption.

Transfer and Exchange

Certificated Notes may be presented for registration of transfer or exchange at the office of the Fiscal Agent subject to the limitations set forth in the Agreement. Upon surrender for exchange or

registration of transfer of any Note, the Fiscal Agent or an authenticating agent shall authenticate and deliver, in exchange for such Note, a Note or Notes of any authorized denomination and of an equal aggregate principal or face amount and of like tenor. No service charge will be imposed upon the holder of a Note in connection with exchanges for Notes of a different denomination or for registration of transfers thereof, but the Fiscal Agent may require payment of a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration of transfer.

Repayment of Monies

Any monies paid by the Branch to the Fiscal Agent for the payment of principal, any premium or interest or additional amounts in respect of Notes and remaining unclaimed at the end of two years following the date on which such principal, premium or interest or additional amounts become due and payable shall be returned to the Branch and the holder of such Notes shall thereafter look only to the Branch for the payment thereof and all liability of the Fiscal Agent with respect to such trust monies shall thereafter cease, without, however, limiting in any way the obligation of the Branch, which is absolute and unconditional, to pay the principal of, and premium, if any, and any interest and additional amounts on any Note as such payments become due, subject to any applicable periods of limitation as set forth under applicable law. See "Actions Against the Bank; Limitations".

Judgment Currency

The Branch has agreed to indemnify the Fiscal Agent and any Holder of the Notes, as the case may be, against any loss incurred by the Fiscal Agent or such Holder as a result of any judgment or order being given or made for any amount due hereunder or under the Notes and such judgment or order being expressed and paid in a currency or currency unit (the "Judgment Currency") other than the currency in which such amount is payable under such Note, which, in the case of a Foreign Currency Note, shall be the Specified Currency (as defined in such Foreign Currency Note) if the Holder thereof has made a Specified Currency Payment Election (as defined in such Foreign Currency Note) and, in all other cases, shall be U.S. dollars (in each case, the "Obligation Currency") and as a result of any variation as between (a) the rate of exchange at which the Obligation Currency amount is converted into the Judgment Currency for the purpose of such judgment or order and (b) the rate of exchange at which the Fiscal Agent or the Holder of the Notes, as the case may be, is able to purchase the Obligation Currency with the amount of the Judgment Currency actually received by the Fiscal Agent or the Holder of the Notes, as the case may be, on the date of receipt thereof. In determining the rate of exchange, any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency shall be taken into account.

Successor Fiscal Agent

The Agreement provides that the Fiscal Agent may resign or may be removed by the Branch. Such resignation or removal shall take effect upon the appointment of and acceptance by a successor Fiscal Agent. The Agreement provides that any successor Fiscal Agent shall be a corporation, bank or trust company organized and doing business under the laws of the United States, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and in good standing and having an established place of business in the Borough of Manhattan, The City of New York; provided, however, that the foregoing capital and surplus requirements shall not be applicable if the Branch, the Bank or an affiliate of the Bank is appointed as successor Fiscal Agent.

The Agreement further provides that any corporation, bank or trust company into which the Fiscal Agent may be merged or converted, or resulting from any merger, conversion or consolidation to which the Fiscal Agent is a party or to which the Fiscal Agent shall sell or transfer all or substantially all of its assets or business shall be the successor Fiscal Agent, provided such corporation, bank or trust

company shall be otherwise qualified and eligible under the Agreement, without the execution or filing of any paper or any further act on the part of any party to the Agreement.

Modification; Waiver of Past Defaults; Meetings

With the written consent of the Holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of Outstanding Notes, or by adoption at a meeting duly held and convened, at which a quorum is present or represented, of a resolution by the Holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of Outstanding Notes present or represented and voting at such meeting, modification and amendment of the Agreement may be effected by the Branch and the Fiscal Agent, and past defaults thereunder may be waived, provided that no such modification, amendment or waiver may, without the consent of the Holder of each Outstanding Note affected thereby, except to comply with applicable law, (i) waive a default in the payment of the principal of or any premium or interest on any Note, or change the stated maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium that would be payable on redemption thereof, or change the obligation of the Branch to pay additional amounts, or change the coin or currency in which any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or with respect to any Note, or change any Events of Default with respect to such Notes; or (ii) reduce the percentage of the Outstanding Notes, the consent of whose Holders is required to modify or amend the Agreement or the Notes or for the waiver of past defaults or reduce voting or quorum requirements for meetings of Holders; or (iii) modify the obligations of the Branch or the Bank to maintain offices or agencies in the Borough of Manhattan, The City of New York; or (iv) modify or otherwise affect the obligation of the Branch to pay amounts under the Notes; or (v) modify the above provisions, except to provide that other provisions of the Agreement and the terms and conditions of the Notes cannot be modified, amended or waived without the consent of the Holder of each Outstanding Note affected thereby. The Agreement may also be amended without the consent of the Holder of any Notes issued under the Agreement, for the purpose of (a) adding to the covenants of the Branch for the benefit of the Holders of such Notes, or (b) surrendering any right or power conferred upon the Branch, or (c) securing any of the Notes pursuant to the requirements of such Notes or otherwise, or (d) curing any ambiguity, correcting or supplementing any defective provisions or any provisions therein which may be inconsistent with any other provision therein or to make any other provisions with respect to matters or questions arising under the Agreement which shall not be inconsistent with any other provision therein, provided that such action shall not adversely affect the interests of Holders of any Notes in any material respect or (e) evidencing and providing for the acceptance of appointment thereunder by a successor Fiscal Agent and to add to or change any of the provisions thereof as shall be necessary to provide for or facilitate the administration thereunder by more than one Fiscal Agent, or (f) establishing the form or terms of the Notes of any Series or adding a new Series of Securities hereto, or (g) amending the Agreement or the Notes in any manner which the Branch and the Fiscal Agent may determine and in a manner which shall not be inconsistent with the Notes of any Series and shall not adversely affect the interest of any Holder of Notes. Notwithstanding the above, in the case of any outstanding Series B Notes, no amendment to the Agreement (in respect of the Series B Notes) or the Series B Notes may be made except with the prior written consent of the Dutch Central Bank.

Meetings of Holders of Notes may be called at any time and from time to time, by the Fiscal Agent, the Branch or the Holders of at least 10% in principal amount of Notes outstanding of a series, or otherwise as provided in the Agreement.

Certain Duties of the Fiscal Agent; No Trust Created

The Agreement provides that the Fiscal Agent will be under no obligation to take any action or perform any duties other than those specifically set forth in the Agreement and that, in acting under the Agreement and in connection with the Notes, the Fiscal Agent will act solely as agent of the Branch

and will not assume any relationship of agency or trust for any owner or Holder of a Note, other than as set forth in the Agreement.

Governing Law; Consent to Jurisdiction; Service of Process; Immunity

The Notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York.

The Bank has consented to the jurisdiction of the courts of the State of New York and the federal courts of the United States located in The City of New York with respect to any action that may be brought in connection with the Notes. The Bank has appointed the Superintendent of Banks of the State of New York as its agent upon whom process may be served in any action brought against the Branch or the Bank in any United States or New York State court.

The Bank and its properties are currently not entitled to any sovereign or other immunity and the Bank has agreed that, to the extent that it may hereafter become entitled to any such immunity, it waives such immunity to the fullest extent permitted by law.

Actions Against the Bank; Limitations

In the event any payment of principal or any premium or interest or any other amount due on any Note were not made by the Branch when due, with respect to Series A Notes, the Bank would have the same unsecured and unsubordinated direct liability to make such payment as it has with respect to any of its other unsecured unsubordinated obligations and, with respect to Series B Notes, the Bank would have the same subordinated direct liability to make such payment as it has with respect to any of its obligations ranking *pari passu* with the Series B Notes. However, the Bank has been advised by Maurice Collot d'Escury, Vice President and Senior Legal Adviser to the Bank, that the United States and The Netherlands currently do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. However, a final judgment for the payment of money against the Bank rendered by any federal or state court in the United States based on civil liability may be enforced in the courts of The Netherlands without a full review of the merits, provided that the courts of The Netherlands determine that due process had been observed in the court proceeding which resulted in such judgment.

In addition, in the event that monies unclaimed after two years are returned by the Fiscal Agent to the Branch as provided in the Agreement (see "Repayment of Monies" above), a party making a claim for such monies against the Bank in The Netherlands could be subject to a period of limitation under Netherlands law of five years for the payment of principal and interest and any other amounts, commencing on the date when such payments were originally due.

Special Provisions Relating to Foreign Currency Notes

General. Unless otherwise indicated in the applicable Pricing Supplement, the Notes will be denominated in U.S. dollars and payments of principal of, any premium and interest on the Notes will be made in U.S. dollars in the manner indicated in this Offering Circular. If any of the Notes are to be denominated in a currency or currency unit other than U.S. dollars, the following special provisions shall apply. For a description of certain risks associated with Foreign Currency Notes, see "Foreign Currency Risks".

Unless otherwise indicated in the applicable Pricing Supplement, a Foreign Currency Note will not be sold in, or to a resident of, the country of the Specified Currency (as defined below) in which such Note is denominated.

Specific information concerning the foreign currency or currency unit in which a particular Foreign Currency Note is denominated, including historical exchange rates and a description of the currency and any exchange controls, will be contained in the applicable Pricing Supplement.

Purchases. Unless otherwise indicated in the applicable Pricing Supplement, purchasers are required to pay for Foreign Currency Notes in the currency or currency unit specified in the applicable Pricing Supplement (the "Specified Currency"). At the present time there are limited facilities in the United States for the conversion of U.S. dollars into foreign currencies or currency units and vice versa. If requested on or prior to the fifth Market Day (defined below) preceding the date of delivery of the Foreign Currency Notes, or by such other day as determined by the Agent who presented such offer to purchase such Foreign Currency Notes to the Branch, such Agent is prepared to use its reasonable efforts to arrange for the conversion of U.S. dollars into the Specified Currency to enable the purchasers to pay for the Foreign Currency Notes. Each such conversion will be made by such Agent on such terms and subject to such conditions, limitations and charges as such Agent may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchasers of the Foreign Currency Notes.

"Market Day" means, with respect to Foreign Currency Notes only, any Business Day that, in the capital city of the country issuing the Specified Currency or, with respect to Foreign Currency Notes denominated in European Currency Units, Brussels, is not a day on which banking institutions generally are authorized or obligated by law to close. The term "Market Exchange Rate" with respect to a particular Specified Currency means the noon buying rate for cable transfers in New York City as certified (or, if not so certified, as otherwise determined) for customs purposes by the Federal Reserve Bank of New York.

Payment of Principal, Premium and Interest. Unless otherwise specified in the applicable Pricing Supplement, the principal of and any premium and interest on Foreign Currency Notes is payable by the Branch in U.S. dollars. Unless otherwise indicated in the applicable Pricing Supplement, the holder of a Foreign Currency Note may elect to receive such payments in the Specified Currency as described below. However, unless otherwise specified in the applicable Pricing Supplement, failure by the Holder to elect to receive payments in the relevant Specified Currency will be deemed to be an election by such Holder to have such amounts converted into U.S. dollars by the Exchange Rate Agent specified in the applicable Pricing Supplement.

Any U.S. dollar amount to be received by a holder of a Foreign Currency Note will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 A.M., New York City time, on the second Market Day preceding the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Foreign Currency Notes scheduled to receive U.S. dollar payments and at which the applicable dealer commits to execute a contract. If such bid quotations are not available (or if a Specified Currency Payment Election has been made with respect to such payments), payments will be made in the Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of such debts). All currency exchange costs will be borne by the holder of the Foreign Currency Note by deductions from such payments.

Unless otherwise specified in the applicable Pricing Supplement, a holder of a Foreign Currency Note may elect to receive payment of the principal of and any premium and interest on such Foreign Currency Note in the Specified Currency by delivery of a written request for such payment to the Fiscal Agent on or prior to the relevant record date or at least fifteen days prior to maturity or earlier redemption, as the case may be. Such request may be in writing (mailed or hand delivered) or by cable, telex or other form of facsimile transmission. A holder of a Foreign Currency Note may elect to receive payment in the Specified Currency for all principal and any premium and interest payments and need

not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Fiscal Agent, but written notice of any such revocation must be received by the Fiscal Agent on or prior to the relevant record date or at least fifteen days prior to maturity, as the case may be. Holders of Foreign Currency Notes whose Notes are to be held in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the Specified Currency may be made.

Unless otherwise specified in the applicable Pricing Supplement, payments of principal and any interest or premium with respect to any Note to be made in a Specified Currency other than U.S. dollars will be made by wire transfer to such account with a bank located in the country issuing the Specified Currency (or, with respect to Notes denominated in ECUs, Brussels) or other jurisdiction acceptable to the Branch and the Fiscal Agent as shall have been designated at least fifteen days prior to the Interest Payment Date, Maturity Date or earlier redemption, as the case may be, by the registered Holder of such Note on the relevant record date or fifteen days prior to the Maturity Date or earlier redemption, provided that, in the case of payment of principal of and any interest or premium due at maturity or earlier redemption, the Note is presented in time for the Fiscal Agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate information with the Fiscal Agent at its Principal Office in The City of New York, and, unless revoked, any such designation made with respect to any Note by a registered Holder will remain in effect with respect to any further payments with respect to such Note payable to such Holder. If a payment with respect to any such Note cannot be made by wire transfer because the required designation has not been received by the Fiscal Agent on or before the requisite date or for any other reason, a notice will be mailed to the Holder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon the Fiscal Agent's receipt of such a designation, such payment will be made within 15 days of such receipt. Any administrative costs imposed by banks in connection with making payments by wire transfer will be borne by the Branch and any tax, assessment or government charge imposed upon payments (other than those described under "Withholding Taxes" above) will be borne by the Holders of the Notes in respect of which payments are made.

Payment Currency. If a Specified Currency is not available for the payment of principal or any premium or interest with respect to a Foreign Currency Note due to the imposition of exchange controls or other circumstances beyond the control of the Branch, the Branch will be entitled to satisfy its obligations to holders of Foreign Currency Notes by making such payment in U.S. dollars on the basis of the Market Exchange Rate on the second Market Day prior to the date of such payment, or if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate. Any payment made under such circumstances in U.S. dollars where the required payment is in other than U.S. dollars would not constitute an Event of Default under the Notes. See "Foreign Currency Risks".

FOREIGN CURRENCY RISKS

General

Notes may be denominated in such foreign currencies or currency units as may be designated by the Branch at the time of offering. Unless otherwise indicated in an applicable Pricing Supplement, a Foreign Currency Note will not be sold in, or to a resident of, the country issuing the Specified Currency in which such Note is denominated.

Certain of the risks to a U.S. dollar-based investor of making an investment in a Foreign Currency Note are summarized below. This Offering Circular and the attached Pricing Supplement do not describe all such risks, as to which prospective investors should consult their own financial and legal

advisers. The information set forth below is directed to prospective purchasers who are U.S. dollar-based investors. Foreign Currency Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

Exchange Rates and Exchange Controls

An investment in Foreign Currency Notes entails significant risks that are not associated with a similar investment in a Note denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in the rates of exchange between the U.S. dollar and the Specified Currency and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on economic and political events over which the Branch and the Bank have no control. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Foreign Currency Note. Depreciation of the Specified Currency against the U.S. dollar would result in a decrease in the U.S. dollar-equivalent yield of such Note, in the U.S. dollar-equivalent value of the principal repayable at maturity of such Note and, generally, in the U.S. dollar equivalent market value of such Note, and in certain circumstances could result in a loss to the investor on a U.S. dollar basis.

Governments have imposed from time to time exchange controls and may in the future impose or revise exchange controls at or prior to a Foreign Currency Note's maturity which could affect exchange rates as well as the availability of a Specified Currency at the time of payment of principal or interest on a Note. Even if there are no exchange controls, it is possible that the Specified Currency for any particular Foreign Currency Note would not be available at such Note's maturity due to other circumstances beyond the control of the Bank and the Branch. In that event, the Branch will make any such payment in U.S. dollars converted from such Specified Currency as described under "Description of the Notes — Special Provisions relating to Foreign Currency Notes Payment Currency".

Judgments

In the event an action based on Foreign Currency Notes were commenced in a court of the United States, it is likely that such court would grant judgment relating to such Notes only in U.S. dollars. It is not clear, however, whether, in granting such judgment, the rate of conversion into U.S. dollars would be determined with reference to the date of default, the date judgment is rendered or some other date. New York statutory law provides, however, that a court shall render a judgment in the foreign currency of the underlying obligation and that the judgment shall be converted into U.S. dollars at the rate of exchange prevailing on the date of the entry of the judgment. See "Description of the Notes — Judgment Currency".

UNITED STATES TAXATION

The following summary, which was prepared by Schulte Roth & Zabel, counsel to the Branch describes certain United States federal income tax consequences of the ownership of Notes as of the date hereof. Except where noted, it deals only with Notes held by initial purchasers as capital assets, does not address holders who are not United States Holders (as defined below) and does not deal with special situations, such as those of dealers in securities or financial institutions, life insurance companies or United States Holders (as defined below) whose "functional currency" is not the U.S. dollar. In addition, with respect to a particular series of Notes, the discussion below must be read in conjunction with the discussion of certain federal income tax consequences which may appear in the applicable Pricing Supplement for such series. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations

(including proposed Treasury Regulations), rulings, and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked, modified or, in the case of proposed Treasury Regulations, withdrawn or finalized in a form different from such proposed Treasury Regulations, so as to result in federal income tax consequences different from those discussed below. Persons considering the purchase, ownership, or disposition of Notes should consult their own tax advisors concerning the federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

United States Holders

As used herein, a “United States Holder” of a Note means a holder that is (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof, or (iii) otherwise subject to United States federal income taxation on a net income basis in respect of a Note. A “Non-United States Holder” is a holder that is not a United States Holder.

Payments of Interest. Except as set forth below, interest on a Note will generally be taxable to a United States Holder as ordinary income at the time it is paid or accrued in accordance with the United States Holder’s method of accounting for tax purposes.

Original Issue Discount. The following is a summary of the principal United States federal income tax consequences of the ownership of Original Issue Discount Notes by United States Holders. Additional rules applicable to Original Issue Discount Notes which are denominated in or determined by reference to a Specified Currency are described under “Foreign Currency Notes” below. This summary is based upon proposed regulations issued by the Treasury Department on December 22, 1992 (the “Proposed Regulations”), which could differ materially from the final Treasury Regulations. Accordingly, the ultimate federal income tax treatment of the Notes may differ substantially from that described below.

A Note may be issued for an amount that is less than its stated redemption price at maturity (the sum of all payments to be made on the Note other than “qualified stated interest” payments). The difference between the stated redemption price at maturity of the Note and its “issue price”, if such difference is at least 0.25 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, will be “original issue discount” (“OID”). The “issue price” of each Note will be the initial offering price to the public at which a substantial amount of the particular offering is sold. A “qualified stated interest” payment is stated interest that is unconditionally payable at least annually at a single fixed rate, or, generally, at a rate (“Variable Rate”) which varies among payment periods if such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds or which is based upon the price of certain actively traded property. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. The Proposed Regulations provide that notes that may be redeemed prior to their maturity date at the option of the issuer shall be treated from the time of issuance as having a maturity date for federal income tax purposes on such redemption date if such redemption would result in a lower yield to maturity. Notice will be given in the applicable Pricing Supplement when the Branch issues Notes that are redeemable prior to maturity and determines that such Notes will be deemed to have a maturity date for federal income tax purposes prior to their Maturity Date.

In certain cases (e.g., where interest payments are deemed not to be qualified stated interest payments under the Proposed Regulations), Notes that bear interest from a non-tax standpoint may be deemed instead to have OID for federal income tax purposes, with the result that the inclusion of interest in income for federal income tax purposes may vary from the actual cash payments of interest made on such Notes, generally accelerating income for cash method taxpayers. For those purposes, the Proposed Regulations provide rules for determining whether payments pursuant to a Note with a

Variable Rate will be treated as payments of qualified stated interest. The Pricing Supplement for any series of Notes will indicate whether they are issued with OID. However, any determination made by the Branch at the time of issuance may be subject to subsequent changes or clarifications of the applicable law or challenge by the Internal Revenue Service (the "IRS").

United States Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial United States Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such United States Holder held such Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The accrual period for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess (if any) of (a) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. In determining OID allocable to an accrual period, if an interval between payments of qualified stated interest contains more than one accrual period the amount of qualified stated interest payable at the end of the interval is allocated on a pro rata basis to each accrual period in the interval and the adjusted issue price must be increased by the amount of any qualified stated interest that has accrued prior to the beginning of the accrual period but is not payable until a later date. The amount of OID allocable to the final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price of the Note at the beginning of the final accrual period. If all accrual periods are of equal length, except for an initial short accrual period, the amount of OID allocable to the initial short accrual period may be computed under any reasonable method, within the meaning of the Proposed Regulations. The adjusted issue price of the Note at the start of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any prior payments with respect to such Note that were not qualified stated interest payments. Under these rules, a United States Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. The Branch is required to report the amount of OID accrued on Notes held of record by persons other than corporations and other exempt holders.

In the case of Original Issue Discount Notes having a term of one year or less ("Short Term Original Issue Discount Notes"), OID is included in income currently either on a straight-line basis or, if the United States Holder so elects, under the constant yield method used generally for OID as described above. However, certain categories of United States Holders (such as individual cash method taxpayers) are not required to include accrued OID on Short Term Original Issue Discount Notes in their income currently unless they elect to do so. If such United States Holder that does not elect to currently include the OID in income subsequently recognizes a gain upon the disposition of the Note, such gain will be treated as ordinary interest income to the extent of the accrued OID. Furthermore, such United States Holder of a Short Term Original Issue Discount Note may be required to defer deductions for a portion of such United States Holder's interest expense with respect to any indebtedness incurred or maintained to purchase or carry such Note.

Amortization of Premium. A Note may be considered to have been issued at a "premium" to the extent that the United States Holder's tax basis in the Note exceeds the amount payable at maturity. A United States Holder generally may elect to amortize the premium over the remaining term of the Note on a constant yield method. Any such election shall apply to all debt securities (other than debt securities the interest on which is excludible from gross income) held by the United States Holder at

the beginning of the first taxable year to which the election applies (or thereafter acquired by the United States Holder) and is irrevocable without the consent of the IRS. The amount amortized in any year will be treated as a reduction of the United States Holder's interest income from the Note. Bond premium on a Note held by a United States Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Note.

Election to Treat All Interest as OID. Under the Proposed Regulations, an accrual basis United States Holder may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. If a United States Holder makes this election for a Note with amortizable bond premium, the election is treated as an election under the amortizable bond premium provisions described above and the electing United States Holder will be required to amortize bond premium for all of the holder's other debt instruments with amortizable bond premium. The election is to be made for the taxable year in which the United States Holder acquires the Note, and may not be revoked without the consent of the IRS. United States Holders should consult with their own tax advisors about this election.

Sale, Exchange, and Retirement of Notes. A United States Holder's tax basis in a Note will, in general, be the United States Holder's cost therefor, increased by all accrued OID and reduced by any amortized premium and any cash payment on the Note other than qualified stated interest payments. Upon the sale, exchange, or retirement of a Note, a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, or retirement and the adjusted tax basis of the Note. Except as described above with respect to certain Short-Term Original Issue Discount Notes, and except with respect to gain or loss attributable to changes in exchange rates as described below with respect to certain Foreign Currency Notes, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, or retirement the Note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Foreign Currency Notes. The following is a summary of the principal United States federal income tax consequences to a United States Holder of the ownership of a Note denominated in a Specified Currency other than the U.S. dollar ("Foreign Currency Notes") and deals only with Foreign Currency Notes that are not treated, for federal income tax purposes, as an integrated economic transaction in conjunction with one or more spot contracts, futures contracts or similar financial instruments. Persons considering the purchase of Foreign Currency Notes should consult their own tax advisors with regard to the application of the United States federal income tax laws to their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

If interest payments are made in a Specified Currency to a United States Holder who is not required to accrue such interest prior to its receipt, such holder will be required to include in income the U.S. dollar value of the amount received (determined by translating the Specified Currency received at the "spot rate" for such Specified Currency on the date such payment is received), regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss is recognized with respect to the receipt of such payment.

A United States Holder who is required to accrue interest on a Foreign Currency Note prior to receipt of such interest will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. The average rate of exchange for an interest accrual period is the simple average of the exchange rates for each business day of such period (or such other average that is reasonably derived and consistently applied by the holder). An accrual basis holder may elect to translate interest income at the spot rate on the last day

of the accrual period (or last day of the taxable year in the case of an accrual period that straddles the holder's taxable year) or on the date the interest payment is received if such date is within five days of the end of the accrual period. Any such election shall apply to all debt securities held by the United States Holder at the beginning of the first taxable year to which the election applies (or thereafter acquired by the United States Holder) and is irrevocable without the consent of the IRS. Upon receipt of an interest payment on such Note, such holder will recognize ordinary income or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating any Specified Currency received at the spot rate for such Specified Currency on the date received) and the U.S. dollar value of the interest income that such holder has previously included in income with respect to such payment. Any such gain or loss generally will not be treated as interest income or expense, except to the extent provided in Treasury Regulations or administrative pronouncements of the IRS.

OID on a Note that is also a Foreign Currency Note will be determined for any accrual period in the applicable Specified Currency and then translated into U.S. dollars in the same manner as interest income accrued by a holder on the accrual basis, as described above. Likewise, a United States Holder will recognize exchange gain or loss when the OID is paid to the extent of the difference between the U.S. dollar value of the accrued OID (determined in the same manner as for accrued interest) and the U.S. dollar value of such payment (determined by translating any Specified Currency received at the spot rate for such Specified Currency on the date of payment). For this purpose, all receipts on a Note will be viewed first as the receipt of any periodic interest payments called for under the terms of the Note, second as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the receipt of principal.

A United States Holder's tax basis in a Foreign Currency Note will be the U.S. dollar value of the Specified Currency amount paid for such Foreign Currency Note determined at the time of such purchase. In the case of a Note which is denominated in a foreign currency and is traded on an established securities market, a cash basis taxpayer (or, if it elects for taxable years beginning after March 17, 1992, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. A United States Holder who purchases a Note with any previously owned Specified Currency will recognize exchange gain or loss at the time of purchase attributable to the difference at the time of purchase, if any, between his tax basis in such Specified Currency and the fair market value of the Note in U.S. dollars on the date of purchase. Such gain or loss will be ordinary income or loss. The rules of this paragraph, however, would not apply if the Foreign Currency Note were considered to be a "time deposit or similar instrument" within the meaning of the foreign currency rules of the Treasury Regulations. Because it is unclear whether the Foreign Currency Notes will be so treated, investors are urged to consult their tax advisors in this regard.

For purposes of determining the amount of any gain or loss recognized by a United States Holder on the sale, exchange, or retirement of a Foreign Currency Note, the amount realized upon such sale, exchange, or retirement will be the U.S. dollar value of the amount realized in Specified Currency (other than amounts attributable to accrued but unpaid interest not previously included in the holder's income), determined at the time of the sale, exchange, or retirement and in accordance with his method of accounting. In the case of a Note which is denominated in foreign currency and is traded on an established securities market, a cash basis taxpayer (or, if it elects for taxable years beginning after March 17, 1992, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate of exchange on the settlement date of the sale.

A United States Holder will recognize exchange gain or loss attributable to the movement in exchange rates between the time of purchase and the time of disposition (including the sale, exchange or retirement) of a Foreign Currency Note. Such gain or loss will be treated as ordinary income or loss.

Such gain or loss may be required to be netted against any non-exchange gain or loss in calculating overall gain or loss on a Note. However, exchange gain or loss would not be recognized with respect to a Foreign Currency Note if it were considered to be a "time deposit or similar instrument" within the meaning of the foreign currency rules of the Treasury Regulations, as described above. Under proposed Treasury Regulations issued on March 17, 1992, which could differ materially from the final Treasury Regulations, if a Foreign Currency Note is denominated in one of certain hyperinflationary currencies, generally (i) exchange gain or loss would be realized with respect to movements in the exchange rate between the beginning and end of each taxable year (or such shorter period) that such Note was held and (ii) such exchange gain or loss would be treated as an addition or offset, respectively, to the accrued interest income on (and an adjustment to the holder's tax basis in) the Foreign Currency Note.

A United States Holder's tax basis in any Specified Currency received as interest on (or OID with respect to), or received on the sale or retirement of, a Foreign Currency Note will be the U.S. dollar value thereof at the spot rate at the time the holder received such Specified Currency. Any gain or loss recognized by a United States Holder on a sale, exchange, or other disposition of Specified Currency will be ordinary income or loss and will not be treated as interest income or expense, except to the extent provided in Treasury Regulations or administrative pronouncements of the IRS.

Indexed Notes. The tax treatment of an Indexed Note will depend on its particular terms and upon forthcoming guidance from the IRS. Each prospective purchaser should review the tax disclosure in the relevant Pricing Supplement and consult its own tax advisor.

Backup Withholding

Payments in respect of a Note made within the United States by the Branch or any of its paying agents are generally subject to backup withholding at a rate of 31%. In general, backup withholding applies if a United States Holder fails to furnish a correct taxpayer identification number, fails to report dividend and interest income in full, or fails to certify that such holder has provided a correct taxpayer identification number and that the holder is not subject to withholding. An individual's taxpayer identification number is such person's Social Security number.

The backup withholding tax is not an additional tax and may be credited against a holder's regular federal income tax liability or refunded by the IRS where applicable.

NETHERLANDS TAXATION

The following is a general summary of the Netherlands taxes applicable as at the date hereof in relation to payments made under the Notes. It is not exhaustive and Holders who are in doubt as to their tax position should consult their professional advisors.

A Holder of a Note or of any coupon appertaining thereto will not be subject to Netherlands taxes on income from or gains on the disposition of such Note unless: (a) the Holder is, or is deemed to be, a resident of The Netherlands; or (b) the Holder owns an enterprise or part of an enterprise which is carried on through a permanent establishment or permanent representative in The Netherlands to which the Note or coupon is attributable; or (c) the Holder has, directly or indirectly, a substantial interest or a deemed substantial interest in the share capital of the Bank and such interest does not form part of the assets of an enterprise.

A Holder of a Note or any coupon appertaining thereto will not be subject to Netherlands net wealth tax provided that such Holder is not an individual or, if he is an individual, then neither condition (a) nor condition (b) above apply.

The Bank will not be required to deduct or withhold any taxes, levies, imposts or other charges from any payment by the Bank due or to become due in respect of the Notes.

No gift, estate or inheritance taxes will arise in The Netherlands on the transfer of a Note or any coupon appertaining thereto by way of gift by, or on the death of, a Holder unless: (a) the Holder is, or is deemed to be, a resident of The Netherlands; or (b) the transfer is construed as a gift made by or on behalf of a person who is, or is deemed to be, a resident of The Netherlands; or (c) the donor or deceased owns an enterprise or part of an enterprise which is carried on through a permanent establishment or permanent representative in The Netherlands to which the Note or coupon is attributable.

PLAN OF DISTRIBUTION

Offers to purchase the Notes are being solicited from time to time by the Branch through the Agents, which have agreed to use their reasonable best efforts to solicit purchases of the Notes. The Notes may also be sold to each Agent or to others at a discount, as a principal, for resale at such prices as will be determined by such Agent or other person at the time of resale or other distribution, which prices may be higher or lower than the price to the public set forth herein. Notes sold to such Agent or other person, as principal, will be sold at prices to be determined at the time of sale. The Branch will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part. Each Agent will have the right, in its discretion reasonably exercised, to reject any proposed purchase of Notes through it in whole or in part. The Branch will pay each Agent a commission ranging from .125% to .875%, depending upon maturity, of the principal or face amount of Notes (or the offering price in the case of Original Issue Discount Notes) sold through such Agent; provided that commissions with respect to Notes with maturities in excess of 30 years, which are sold through an Agent, will be as negotiated between such Agent and the Branch and set forth in the applicable Pricing Supplement. The Branch has reserved the right to sell Notes directly to investors on its own behalf in those jurisdictions where it is authorized to do so. No commission will be payable by the Branch to any Agent on account of sales of Notes made directly by the Branch.

In addition, the Agents may offer the Notes they have purchased as principal to other dealers. The Agents may sell Notes to any dealer at a discount and, unless otherwise specified in the applicable Pricing Supplement, such discount allowed to any dealer will not be in excess of 66 2/3% of the discount to be received by such Agent from the Bank. Unless otherwise indicated in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to any agency sale of a Note of identical maturity, and may be resold by the Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale or may be resold to certain dealers as described above. After the initial public offering of Notes to be resold to investors and other purchasers on a fixed public offering price basis, the public offering price, concession and discount may be changed.

The Agents, as agents or principals, may be deemed to be "underwriters" within the meaning of the United States federal securities laws. The Branch has agreed to indemnify the Agents against, or to make contributions relating to, certain civil liabilities, including liabilities under the United States federal securities laws.

The Notes are a new issue of securities with no established trading market and will not be listed on any securities exchange. No assurance can be given as to the existence or liquidity of a secondary market for the Notes.

EXPERTS

Any audited annual financial statements included in the ABN AMRO Group's Annual Report and in the Bank's Annual Report attached hereto have been so included in reliance upon the report of Moret Ernst & Young Accountants in The Netherlands, given on the authority of such firm as experts in Netherlands accounting and auditing.

VALIDITY OF NOTES

The validity of the Notes offered hereby will be passed upon for the Bank and the Branch, with respect to United States law, by Schulte Roth & Zabel, special U.S. counsel to the Bank and the Branch, and, with respect to Netherlands law, by Maurice Collot d'Escury, Vice-President and Senior Legal Adviser to the Bank. The validity of the Notes offered hereby will be passed upon for the Agents by Sullivan & Cromwell, New York, New York. The opinions of Schulte Roth & Zabel, Mr. Collot d'Escury and Sullivan & Cromwell will be conditioned upon, and subject to certain assumptions regarding, future action required to be taken by the Bank, the Branch and the Fiscal Agent in connection with the issuance and sale of any particular Note, the specific terms of Notes and other matters which may affect the validity of Notes but which cannot be ascertained on the date of such opinion. Schulte Roth & Zabel and Sullivan & Cromwell may rely upon the opinion of Mr. Collot d'Escury as to matters of Netherlands law. Sullivan & Cromwell from time to time perform legal services for the Bank.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN NETHERLANDS AND U.S. ACCOUNTING PRINCIPLES AND PRACTICES

The financial statements of ABN AMRO and the Bank presented in this Offering Circular conform with accounting principles and practices generally accepted in The Netherlands. Such principles and practices vary from those generally accepted in the United States in the principal respects described below. The financial statements of ABN AMRO and the Bank presented in this Offering Circular are not comparable to those that would have been presented had ABN AMRO prepared its financial statements in conformity with accounting principles and practices generally accepted in the United States. The effects of the variations in these accounting principles and practices have not been quantified.

Provisions

Instead of a Reserve for Loan Losses there is a contingency reserve named "Provision for General Contingencies" and valuation reserves called "Specific Provisions". The Provision for General Contingencies, formed by charges to the profit and loss account, is included on the liability side of the balance sheet under item "Creditors." The amounts of the Specific Provisions against loans and advances that are deducted from the related assets are not disclosed. The Specific Provisions are formed by charges to the Provision for General Contingencies.

Investments in Subsidiaries and Affiliated Companies

Where ABN AMRO or the Bank has a significant influence on commercial and financial policy, valuation of subsidiaries and associated companies is on the basis of their net asset value, determined as far as possible in accordance with the policies applied in the financial statements of ABN AMRO or the Bank. Other subsidiaries and associated companies are shown at current value, i.e., the estimated proceeds from disposal. In case of participations in financial institutions of 50%, the assets, liabilities and results are included in the financial statements for 50%.

Valuation of Premises and Office Furnishing and Equipment

The valuation of bank premises and fixtures and fittings of bank premises are shown at current value, based on replacement costs. Movements in value, less taxation on them, are credited or charged to Shareholder's equity.

Deferred Taxes

The amount of deferred taxes is included in "Creditors". Neither the effect nor the nature of timing differences are disclosed.

Goodwill

Goodwill is charged to net equity in the year of acquisition.

Investment Securities; Gains and Losses on Investment Securities

Realized and unrealized net gains or losses on securities are not disclosed. Net gains realized on the premature sale of assets held in the investment portfolio (*e.g.*, treasury paper, debentures and private loans to public authorities) in connection with swap transactions are apportioned over the terms of the contracts concerned. These securities are stated at redemption value in the balance sheet.

Interest Earned and Paid

The amount of interest earned and the amount of interest paid are not separately disclosed.

Statement of Changes and Statement of Cash Flows

No statement of changes in financial position or statement of cash flows is presented.

1992 ANNUAL REPORT OF ABN AMRO HOLDING N.V.



ABN·AMRO Holding N.V.

Annual Report 1992

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ABN AMRO: five years in figures

	1992	1991	1990	1989	1988
Balance sheet (in billions of guilders)					
Group equity and subordinated loans	27.1	24.9	23.1	20.3	18.3
Debt securities and non-subordinated loans	50.2	50.3	51.6	48.3	47.9
Savings accounts, deposits and creditors	247.7	221.0	209.9	182.2	160.3
Funds borrowed from banks	101.4	92.8	87.4	83.8	91.0
Public sector lending	38.9	33.4	32.4	32.0	38.8
Private sector lending ¹	229.2	210.3	197.9	177.0	157.3
Balance sheet total	460.3	415.1	393.3	352.9	338.4
Off-balance-sheet commitments ²	94.5	88.9	88.1	90.0	30.5
Results (in millions of guilders)					
Income	12,283	11,319	10,010	9,297	8,569
Expenses	8,318	7,665	6,929	6,188	5,782
Gross result	3,965	3,654	3,081	3,109	2,787
Addition to Provision for general contingencies	1,400	1,320	1,200	1,170	1,140
Group profit	1,718	1,560	1,392	1,464	1,217
Net profit ³	1,684	1,536	1,325	1,422	1,198
Dividend	968	928	778	684	604
Key figures					
Income/expenses ratio	1.48	1.48	1.44	1.50	1.48
Return on Shareholders' equity (in %)	11.1	10.4	10.0	11.7	10.7
Capital ratio (in %)	5.88	6.01	5.87	5.74	5.41
Figures per ordinary share of NLG 5 nominal value (in guilders) ⁴					
Net profit	5.51	5.22	5.02	5.93	5.42
Dividend	2.90	2.90	2.89	2.84	2.68
Payout ratio	52.6	55.4	57.5	47.8	49.4
Net asset value as at year-end	51.35	51.17	50.23	53.85	51.45
Number of employees					
Domestic network	37,883	38,670	40,140	40,413	39,778
International network	21,756	18,077	17,912	13,717	12,418
Total	59,639	56,747	58,052	54,130	52,196
Number of branches					
Domestic network	1,429	1,462	1,474	1,477	1,477
International network	523	466	458	413	382

The figures for 1988 and 1989 have been obtained by combining the consolidated figures of ABN Bank and AMRO Bank. The valuation of assets and liabilities is in accordance with the accounting policies of the two banks as at year-end 1989.

1. The total of the balance sheet items Advances against treasury paper and/or securities, Bills receivable, Debtors and other debt securities in the item Securities and syndicates.

2. The figures for 1988 exclude Commitments arising from irrevocable facilities.

3. 1989: profit before extraordinary income of NLG 128.

4. Based on the average number of ordinary shares in issue, weighted according to dividend entitlement and adjusted for new share issues.

Report of the Managing Board

ABN AMRO Holding N.V. achieved satisfactory results in 1992. Net profit available for distribution to holders of ordinary shares rose by 10.9% to NLG 1,512 million while the overall net result showed an increase of 9.6% to NLG 1,684 million. Profit per ordinary share turned out 5.6% higher at NLG 5.51.

The gross result rose by 8.5% to NLG 3,965 million. An addition of NLG 1,400 million to the Provision for general contingencies was charged to the gross result. This addition was NLG 80 million higher than in 1991. Taxation rose by 9.4% to NLG 847 million.

Interest income improved by 10.9%, partly due to a sharp rise in the international network. Commission income rose by 12.8%, with the international network recording an increase of 21.3%.

Other income fell by 16.3%, owing to lower income in the domestic network. The domestic network's results on foreign exchange dealing showed a significant improvement but securities trading results were down owing to diminutions in value of a number of securities positions. Most of these positions were not realised, however. In comparing other income in the domestic network, it is important to realise that the 1991 figures include the proceeds of the sale of the interests in R. Mees & Zoonen Assurantiën and Hudig-Langeveldt.

The addition to the Provision for general contingencies was raised by 6.1%. This increase related partly to growth in lending. The specific provisions for US real estate were considerably lower than in 1991. In the domestic network, the level of provisions remained perfectly acceptable, despite the deteriorating economic climate. No additional provisions had to be formed for risks in respect of countries with payment problems.

The tax burden was almost unchanged. In the Netherlands the tax burden increased because a smaller proportion of income qualified for participation exemption. In a number of foreign countries, however, the tax burden diminished.

Results in the Netherlands

Eliminating incidental items, the gross result showed satisfactory growth. In contrast to 1991, when the interests mentioned earlier were sold, no significant book profits were realised on sales of associated companies. The gross result was down 3.4% overall at NLG 2,501 million. Income improved by 0.8%, and costs rose by a modest 3.2%.

Interest income rose as a result of volume growth in lending and unchanged interest margins. The improvement in commission income resulted from higher revenues from payment services, portfolio management and trust services, as well as securities transactions.

As mentioned earlier, the result on securities trading was significantly lower. This development, together with the 1991 book profits referred to above, produced a sharp decline in other income.

The number of employees in the Netherlands on 31 December 1992 was 37,883, a decline of 787 compared with the total at year-end 1991. Since the merger, the work force has fallen by 2,230.

Results in the international network

The gross result outside the Netherlands rose by 37.6% to NLG 1,464 million. Both interest income and commission and other income contributed to this improvement.

In North America the gross result was up 101% at NLG 811 million. Eliminating the acquisition of Talman, the gross result for the region was still 67.8% higher at NLG 678 million. Both European American Bank and our own local branches contributed significantly to the improvement. In the Middle East, Far East and Africa, the gross result turned out 28.6% higher at NLG 238 million, with results showing particular gains in the United Arab Emirates, Taiwan and Singapore.

European profits were squeezed by modest performance in France and Germany. Results in the United Kingdom, Sweden, Austria and Luxembourg showed significant improvement. The gross

result in Central and South America was almost unchanged.

Balance sheet

Consolidated total assets stood at NLG 460.3 billion as at 31 December 1992, an increase of NLG 45.2 billion or 10.9% compared with year-end 1991. Adjusted for year-end exchange rate movements, growth was NLG 41.3 billion. The effect of including Talman and Hoare Govett in the consolidation was NLG 12.7 billion. The remaining organic growth of NLG 28.6 billion was achieved equally by the domestic and international networks.

Shareholders' equity rose mainly as a result of retained profits, stock dividends and exercise of staff options and conversion rights. The goodwill paid on the acquisition of Talman and the extension of our interest in CM Capital Markets was charged directly to equity. The net effect was a 5.2% increase in Shareholders' equity to NLG 16.1 billion. Group equity and subordinated loans rose by 8.8% to NLG 27.1 billion.

Lending increased by 10.0% to NLG 268.1 billion. The domestic network recorded growth of NLG 11.0 billion or 7.2% to NLG 163.4 billion. In the international network, lending grew by NLG 13.4 billion or 14.7% to NLG 104.7 billion.

Funds entrusted to the bank rose by 12.1% to NLG 247.7 billion. The domestic network achieved an increase of 7.7%, primarily due to growth in time and demand deposits. In the international network, funds entrusted were 23.2% higher, with savings rising strongly owing partly to the acquisition of Talman.

Financial ratios

Net profit rose by 9.6%. After deduction of unchanged preference share dividend of NLG 172 million, net profit available for distribution to holders of ordinary shares was up by 10.9%. However, with the increase in ordinary share capital due to stock dividends, conversion and exercised option rights, net profit per share showed an improvement of 5.6% from NLG 5.22 to NLG 5.51.

The capital ratio was 5.88%, a slight drop compared with the figure as at 31 December 1991 (6.01%). ABN AMRO Bank comfortably meets the capital adequacy standards set by the Neder-

landsche Bank (the Dutch central bank), which are consistent with those of the Bank for International Settlements and the European Community. The return on shareholders' equity showed a significant improvement from 10.4% to 11.1%.

Dividend

The holders of preference shares will receive a dividend of NLG 0.475 per preference share, as stipulated in the articles of association. This represents a dividend of 9.5%. It will be proposed to the General Meeting of Shareholders to declare a dividend of NLG 2.90 per ordinary share of NLG 5 nominal value. Part of this dividend has already been made payable as an interim dividend of either NLG 1.40 entirely in cash or NLG 0.55 in cash together with ordinary shares chargeable to the share premium reserve or, if desired, to the general reserve, in the ratio of one new ordinary share for every fifty ordinary shares held.

The final dividend will therefore remain unchanged at NLG 1.50. The final dividend may be taken at the shareholder's option either entirely in cash or partly in cash together with ordinary shares chargeable to the share premium reserve, in the ratio of one new share for every fifty ordinary shares held. The new ordinary shares will qualify fully for dividend from 1 January 1993. The amount of the cash component will be announced not later than after the close of trading on the Amsterdam Stock Exchange on 28 April 1993.

Industrial policy and risk management

We feel there is a failure to appreciate that the bank and the government play a totally different role with respect to companies which find themselves in difficulties. When a bank extends credit, it does so on the basis of the borrower's financial status, typically expressed (in the case of a business) as a capital ratio or coverage factor. If a company runs into problems we are often prepared to be flexible with regard to the agreed ratios or security for a given period. However, there is a limit beyond which it is no longer prudent for the bank to continue facilities. Once this point has been reached, it is for society to decide whether the troubled company's activities warrant government support. If, in these circumstances, the government makes its support contingent upon further lending by the bank, it ignores the fact that the bank has already often incurred very substantial risks well before the

government became involved. The budgetary problems cited in some cases as the reason for the government's position merely underline the fact that the government itself must decide which aspects have first priority in society at large. We must not forget that a healthy banking industry, in view of the crucial role of banking in society, is no less important than a thriving industrial base.

Prospects

In the 1991 interim report we mentioned that we had introduced a tighter credit control system. Given the fall in demand for project finance we concluded that the economy was weakening. There is a tendency to forget, however, that considerable time can elapse between an investment decision and the actual start of a project. As a result, the level of capital expenditure is not always a good indicator for the state of the economy.

In both Germany and the Netherlands, there is now evidence of a slowdown of the economy. We do not expect to see any substantial increase in borrowing requirements in 1993. We believe, however, that the interest margin will probably stay at around the present level. The introduction of charges for payment services is expected to limit the losses on this activity to some extent. Furthermore, we expect income from securities business and foreign exchange dealing to be at a reasonable level.

The current year and 1994 will see systematic progress towards the further integration of the branch network in the Netherlands. We accordingly expect the rise in overall wage costs again to be modest, as in 1992.

In the United States, where the economy is picking up, we already see a rise in demand for credit by the small and middle markets. If the favourable yield curve is maintained and the US dollar remains at its current value, we expect our American operations once again to make a substantial contribution to results. A similarly encouraging contribution from the Middle East and Far East appears to be possible. For most of the countries of mainland Europe, however, we do not expect to see economic recovery before 1994. At this point in time we expect the profit contribution from these countries to be around the same level as in 1992, or slightly higher.

In view of the economic climate, the level of specific bad debt provisions in 1992 was acceptable. Whether this will also be the case in 1993 is of course far too early to predict at this stage. Once again in 1993 we expect to achieve further international expansion. This is bound to support sustained growth in the volume of business. In addition, the range of products will be expanded further both at home and abroad.

We believe it is too early at this stage to make a realistic projection of results for the current year. Finally, we should like to take this opportunity of expressing our appreciation for the efforts of the staff in achieving the 1992 results.

Amsterdam, 2 April 1993

Managing Board

ABN AMRO Holding N.V.

Supervisory Board

H.F. van den Hoven (1923), Chairman
J.D. Hooglandt (1926), Vice Chairman
F.H. Fentener van Vlissingen (1933)
C.T. van der Molen (1931)
J.J.J. van Dijck (1937)
W. Dekker (1924)
A. Heijn (1927)
F.A. Maljers (1933)
A.G. Maris (1924)
A. Batenburg (1922)
Mrs M. Epema-Brugman (1930)
H.B. van Liemt (1933)
O. Vogelenzang (1923)
J.J. Endtz (1930)
G. Bresser (1936)
G. van Schaik (1930)
W. Overmars (1932)
R.J. Nelissen (1931)

Managing Board

R. Hazelhoff (1930), Chairman
P.J. Kalff (1937)
H.H. Foppe (1933)
M.J. Drabbe (1942)
Th.A.J. Meys (1943)
R. van Ommeren (1936)
L.D. de Bièvre (1937)
P. Ribourdouille (1938)
J.H. Geertsema (1933)
R.W.J. Groenink (1949)
R.W.F. van Tets (1947)
J.M. de Jong (1945)

Secretary

H.P.A. van Wensen

Advisory Council

R. den Besten
J.L. Brentjes
Mrs M.A. van Damme-van Weele
A.H.C. Deleye
M.P.J.H. van Doorne
J.M.H. van Engelshoven

G. Gerritse

Mrs N.J. Ginjaar-Maas
W.M. de Grefte
R.F. Hendriksen
C.H. van der Hoeven
Mrs R.W. Hommes
F. Hoogendijk
J.C.M. Hovers
Th.W.M. van Lammeren
A.H. Land
Mrs J.J.M.S. Leyten-de Wijkerslooth de
Weerdesteyn
A.W. Luitjens
A. Maas
J.F.M. Peters
A.H. del Prado
G.A. Reudink
A.H.J. Risseeuw
P.A.W. Roef
Mrs P.C.J. van Schaveren
H.N.J. Smits
F. Swarttouw
M.C. van Veen
M. Ververs
H.J. van Zuthem
C.J. Zwart

Composition as at 2 April 1993

Report of the Supervisory Board to Shareholders

We are privileged to present the 1992 financial statements of ABN AMRO Holding N.V., as drawn up by the Managing Board. These financial statements, after examination by Moret Ernst & Young Accountants, have been adopted by our Board in conformity with the Managing Board's proposal. We invite you to approve the 1992 financial statements as presented and, in so doing, to ratify the actions of the Managing and Supervisory Boards, in accordance with article 37(5) of the articles of association.

On approval of the financial statements and the profit appropriation they incorporate, a dividend of NLG 2.90 per ordinary share of NLG 5 nominal value will be paid for 1992. Part of this dividend has already been made payable as an interim dividend of NLG 1.40, which may be taken at the shareholder's option either entirely in cash or NLG 0.55 in cash together with ordinary shares chargeable to the share premium reserve or, if desired, to the general reserve, in the ratio of one new share for every fifty ordinary shares held.

A final dividend of NLG 1.50 per ordinary share will therefore be paid. The final dividend may be taken at the shareholder's option either entirely in cash or partly in cash together with ordinary shares chargeable to the share premium reserve, in the ratio of one new share for every fifty ordinary shares held. The new ordinary shares will qualify fully for dividend from 1 January 1993. The amount of the cash component will be announced not later than after the close of trading on the Amsterdam Stock Exchange on 28 April 1993.

In accordance with article 38(2a) of the articles of association, the holder of the priority share will be paid 6% of the nominal amount. In accordance with article 38(2b) of the articles of association, the holders of preference shares will receive a dividend of NLG 0.475 per preference share, representing a dividend of 9.5%.

At the Annual General Meeting of Shareholders to be held on Friday, 7 May 1993, Messrs A. Batenburg and O. Vogelenzang will retire as members of

the Supervisory Board, having attained the stipulated maximum age. Mr Batenburg was appointed to the Supervisory Board of Algemene Bank Nederland N.V. as of 1 May 1985, Mr Vogelenzang became a member of the Supervisory Board of Amsterdam-Rotterdam Bank N.V. on 7 April 1986. Mr Batenburg was Chairman of the Managing Board of Algemene Bank Nederland N.V. from September 1974 to May 1985. Mr Vogelenzang was Chairman of the Board of Managing Directors of Amsterdam-Rotterdam Bank N.V. from March 1979 to June 1983 and member of the Advisory Council of Amsterdam-Rotterdam Bank N.V. from April 1984 to April 1986. We are greatly indebted to Messrs Batenburg and Vogelenzang for their long and valuable contribution to the work of our Board.

Pursuant to the provisions of article 26(1) of the articles of association, Messrs A. Heijn, J.J. Endtz and G. van Schaik were also due to retire. All three offered themselves for reappointment. By a resolution of the Supervisory Board meeting held on 2 April 1993, the above persons were reappointed. At the same meeting, it was decided in accordance with the Managing Board's recommendation to appoint Messrs W. Dik and J.M.H. van Engelshoven to the Supervisory Board of the Holding. The appointments were made after it had been established that neither the Shareholders' Committee nor the Central Staff Council raised any objections to them.

The number of Supervisory and Managing Board members has been fixed at eighteen and eleven, respectively, as of 7 May 1993.

At the Annual General Meeting of Shareholders to be held on 7 May 1993, Mr H.H. Foppe will retire from the Managing Board, having attained pensionable age. Mr Foppe was appointed to the Managing Board of Amsterdam-Rotterdam Bank N.V. on 1 March 1979. We are very grateful to Mr Foppe for his many good services on behalf of the bank.

In the period under review, the Supervisory Board met in plenary session on six occasions. Regular

items on the agenda were the development of the balance sheet and results in the preceding period, money and capital market developments, major new lending and reviews of existing lending and personnel policy. The Board also discussed the financial accounting method, the internal control systems and the report of the external auditors. Furthermore, items relating to the progress of the merger, as well as the acquisitions made in 1992 were regularly discussed. The Special Committee of Supervisory Board members met on four occasions.

We should like to take this opportunity of expressing our great appreciation and gratitude to the Managing Board and the staff of the bank for their dedication in the year under review.

Amsterdam, 2 April 1993

Supervisory Board

H.F. van den Hoven, Chairman

J.D. Hooglandt, Vice Chairman

Report of the Shareholders' Committee

In accordance with the provisions of article 9 of the Regulations of the Shareholders' Committee, the Committee hereby reports on its activities from 24 March 1992. The Committee met on three occasions during the period under review.

At its meeting on 16 November 1992, the Committee discussed the letter of the Supervisory Board of the Holding dated 30 October 1992, informing the Committee that on 7 May 1993 – the date of the Annual General Meeting of Shareholders – a number of positions would become vacant on the Supervisory Board as a result of Messrs A. Batenburg and O. Vogelenzang having attained the stipulated age limit and of Messrs A. Heijn, J.J. Endtz and G. van Schaik resigning by rotation. The latter offered themselves for reappointment. Furthermore, an exchange of views took place on the composition of the Supervisory Board.

At the next meeting, which was held on 18 January 1993, the discussion of the letter of 30 October 1992 was continued. It was established that the Committee had no grounds for putting forward candidates for the vacancies on the Supervisory Board. The Committee was of the opinion that the composition of the Supervisory Board was and would remain satisfactory.

In a letter dated 22 January 1993, the Committee was informed of the intention of the Supervisory Board to appoint Messrs W. Dik and J.M.H. van Engelshoven to its Board on the Managing Board's recommendation and to reappoint Messrs A. Heijn, J.J. Endtz and G. van Schaik.

At its meeting on 15 March 1993, the Committee resolved not to register any objection to the proposed appointment of Messrs Dik and Van Engelshoven or the proposed reappointments. The Committee took cognisance of the proposal to maintain the number of Supervisory Board members at eighteen.

On 31 August 1992, Mr P. Schwencke resigned from the Shareholders' Committee because of his

appointment to the Executive Committee of Stichting Administratiekantoor ABN AMRO Holding.

At the General Meeting of Shareholders held on 17 May 1991, the Committee was appointed for a two-year term, which means that its mandate expires on 17 May 1993 or the date a new Shareholders' Committee assumes office. The Committee will therefore retire no later than 17 May 1993.

Amsterdam, 15 March 1993

Shareholders' Committee

Report of the Central Staff Council of ABN AMRO Bank N.V.

Pursuant to article 25(2) of the articles of association of ABN AMRO Holding N.V., the Chairman of the Supervisory Board of ABN AMRO Holding N.V. informed the members of the Central Staff Council of ABN AMRO Bank N.V., by letter dated 30 October 1992 that a number of positions would become vacant on the Supervisory Board of ABN AMRO Holding N.V. on the date of the 1993 Annual General Meeting of Shareholders. Messrs A. Batenburg and O. Vogelenzang are due to retire definitively while Messrs A. Heijn, J.J. Endtz and G. van Schaik will resign by rotation. In accordance with article 26(1) of the articles of association, the members resigning by rotation are eligible for immediate reappointment. They have offered themselves for reappointment.

In a letter dated 22 January 1993 the Chairman of the Supervisory Board of ABN AMRO Holding N.V. informed the Central Staff Council of the resolution adopted at the Board meeting on 22 January 1993, namely that it intends to reappoint Messrs Heijn, Endtz and Van Schaik and to appoint, on the Managing Board's recommendation, Messrs W. Dik and J.M.H. van Engelshoven.

The Central Staff Council did not exercise its statutory right to nominate candidates or to register any objection to the appointments and reappointments.

Amsterdam, 25 March 1993

Central Staff Council

Board and Executive changes

Supervisory Board

With deep regret we learned of the death of Mr D. de Bruyne on 20 February 1993. Mr De Bruyne retired as Chairman of the Supervisory Board at the Annual General Meeting of Shareholders held on Friday, 15 May 1992. He had been member of the Supervisory Board of Algemene Bank Nederland N.V. as of 1 May 1981 and chaired the ABN AMRO Supervisory Board from 31 August 1990. Mr De Bruyne always represented the interests of the bank in an extremely active way. We will remember him as a very capable chairman of the Supervisory Board and as a very warm personality.

Mr De Bruyne was succeeded by Mr H.F. van den Hoven as Chairman of the Supervisory Board. Mr R.J. Nelissen was appointed to the Board.

Advisory Council

In 1992 Messrs L.J. van Ameyden and J.A. Wolhoff retired from the Advisory Council in conformity with the Council's constitution. We are grateful to Messrs Van Ameyden and Wolhoff for their active involvement in the Council's work. At year-end 1992 Messrs S.W. Meihuizen, A. van der Padt, L.F. Ploeger and G. Zoutendijk resigned from the Council in conformity with its constitution. We are also grateful to them for the great interest they have always shown in the Council's work.

Messrs C.H. van der Hoeven, H.N.J. Smits and M.C. van Veen were appointed to sit on the Council as of 1 January 1993.

Managing Board and Senior Executive

Vice Presidents

Having reached the agreed age limit, Mr R.J. Nelissen, Chairman of the Managing Board of ABN AMRO Holding N.V. and ABN AMRO Bank N.V., resigned on 15 May 1992 after a career of 19 years in banking. Mr Nelissen's work has been of great significance to the bank. He was a driving force behind the bank's expansion in the Netherlands and abroad. We would like to express our appreciation for the dynamic and enthusiastic manner in which he managed the bank. Mr R. Hazelhoff, Vice Chairman of the Managing Board,

succeeded Mr Nelissen as Chairman as of 15 May 1992.

Mr W.P.M. van der Schoot, Senior Executive Vice President Consumer Banking, left the bank on 1 October 1992 to take up new employment.

Shareholders' Committee

According to article 5 of the Regulations of the Shareholders' Committee, Mr H.F. van den Hoven who succeeded Mr De Bruyne as Chairman of the Supervisory Board as of 15 May 1992, chairs this Committee. Because of his appointment to the Executive Committee of Stichting Administratiekantoor ABN AMRO Holding, Mr P. Schwencke resigned from the Shareholders' Committee as of 31 August 1992. The following shareholders now sit on this Committee: D.J. de Beus, Mrs R.M. ten Cate-Dhont, C.C. Delprat, G.W. Baron van der Feltz, J.W. Groen, Mrs M.J.A. Portheine-ter Kuile and Mrs Th.J. Veldhuyzen van Zanten-Roest van Limburg.

Amsterdam, 2 April 1993

Managing Board

The economic climate

EMS and EMU

The financial crises of this century have so far occurred on a different day of the week. 'Black Thursday' (Wall Street, 29 October 1929) and 'Black Monday' (Wall Street, 19 October 1987) were followed on 16 September last year by 'Black Wednesday'. On that day developments on the foreign exchange markets brought the European Monetary System, which had developed into an inflexible and untenable system of semi-fixed exchange rates, back to reality. The restored flexibility of the exchange rate mechanism is in keeping with the still significant differences between the policies and economies of the participating countries and is therefore to be applauded. But it is regrettable that the pound sterling and the Italian lira dropped sharply in value and had to be withdrawn from the exchange rate mechanism. As a result, a severe blow was dealt to both the single market and monetary stability in Europe.

The crisis was sparked off by the weakening political support for further European integration, as expressed in the Danish 'no' to the Maastricht Treaty and the expected slim majority for a 'yes' in France. The underlying causes, however, were the great divergence in business cycles, particularly between Germany and the United Kingdom, and the wide differences in inflation which for too long had not been reflected in exchange rate adjustments. The loss of confidence in the Italian political system and economy was a further undermining factor.

The problem is that although the anchor currency of the EMS, the German mark, may still be the strongest currency in the longer term, it is currently suffering from the ill effects of the German unification. The symptoms in 1992 were the high inflation rate – by German standards – of 4%, rapidly increasing labour costs and a public sector deficit of approximately 6% of Gross Domestic Product. The Bundesbank responded to these developments with a tight monetary policy and sustained high interest rates. Though the real capital market interest rate is not extremely high in Germany it-

self (roughly 3%), this policy – combined with the rigidity of the EMS exchange rate mechanism – drew countries with falling inflation rates into an 'interest rate trap': high nominal interest rates with steadily declining inflation. Add to this a lack of confidence in the ability of national governments to keep interest rates at a high level against the prevailing economic winds and the scene is set for a wave of speculation in the currencies of the countries concerned. The French franc took a particularly severe battering, evidently still being considered unworthy of taking over the mark's role as anchor currency even for a short while. The events of 1986 when the franc was devalued 6% were still fresh in the long memory of the financial markets. It was only when the Bundesbank defended the Danish krone early in February this year, thus giving clear evidence of its commitment to saving the core of the EMS, that the pressure on the French franc abated. One of the very few countries that managed to escape the interest rate trap was the Netherlands where interest rates, in line with economic fundamentals, dropped below German levels.

The EMS crisis clarified two points which have a bearing on progress towards economic and monetary union:

- ◆ the EMS is and will remain a system of fixed but adjustable exchange rates until a monetary union with a single currency, managed by a single central bank, is a reality; there is no halfway house, nor is a gradual transition possible;
- ◆ a common currency is an inherent component of a single market; until such a currency has been created, currency risks will continue to determine commercial and investment decisions and, as a consequence, these decisions will remain less than optimal from an economic point of view.

Against this background the question of how the second stage of the EMU can be given meaningful content has become more pressing. A credible institutionalisation of the monetary decision-making of those countries whose economies are already showing sufficient convergence will bolster market confidence in the stability of their currencies. In view of the reluctance, notably in Germany, to re-

linquish national monetary sovereignty, it is vital that the central banks enjoy political independence. One favourable development in the past year was that various countries, including Spain and France, took or announced steps towards such independence.

At the end of the year the route mapped out in Maastricht was confirmed in Edinburgh. In addition, a provisional solution was found for the Danish question and the term 'subsidiarity' was given a degree of substance. In future Brussels will have to demonstrate more clearly that proposed EC measures are really required to meet the needs of the member states. Basically the subsidiarity principle is a way of reconciling two trends: one towards greater political powers at lower administrative levels, the other towards economic integration of an expanding geographical area. The latter trend is gathering momentum as a result of the increasing impact of market dynamism and technology. In organising Europe, therefore, it is imperative to establish what minimum and maximum powers must be surrendered to Brussels in order to ensure the proper functioning of the internal market, the ultimate goal being a common currency. It is therefore gratifying that neither the Community's existing powers over the internal market nor its proposed future powers for the management of the common currency were impaired at the Edinburgh summit.

Economic developments in the industrialised countries

Until late in 1992 the economic picture in leading industrialised countries remained unfocused. Recovery in the United States stagnated while in Germany the economy continued to cool off simultaneously with strong inflationary pressures. The last quarter brought some clarification, with indications of a strong upsurge of the US economy and unmistakable signs of recession in Germany. The picture remained unclear in Japan where the financial crisis, which is hitting banks, businesses and consumers, has not run its full course. Though the economy will remain weak in Europe in 1993, the longer-term prospects for a new period of moderate, non-inflationary growth in the industrialised world seem reasonable. Implemented and expected interest rate cuts will relieve the debt-servicing

pressure on corporate and private incomes. Wage moderation and falling oil prices may further decelerate the rise in costs. Particularly in Europe, business profitability is much higher than at the beginning of the eighties. Nevertheless, the need for governments, the business community and consumers to tighten their belts will continue to dampen economic growth for the time being. The emphasis will, however, be different from one country to another.

The United States

A surprisingly strong second half brought the United States 2% growth for the year as a whole. Not only did the consumer regain confidence, partly thanks to the psychological effect of the imminent arrival of a new administration, but business investment also recovered from the sharp decline in the preceding year. Exports continued to grow in spite of the economic slowdown in Europe. But then, US trade does not depend heavily on Europe. In addition, national industrial productivity has been showing good improvement in recent years. The spectacular financial transactions of the eighties have certainly had an effect on the real economy. There are also indications that US industry is beginning to recapture its former lead in certain hi-tech sectors such as semiconductors.

The improvement in the banking industry mentioned in our previous annual report was unequivocally confirmed. Not only did the continuing reduction in short-term interest rates to approximately 3% make the ratio between money market and capital market interest rates even more favourable than it already was, but the spread between interest rates to customers and the interbank rate widened further. Most banks were also able to reduce their provisions for bad debts.

The main problem continues to be government finances. Both the size of the financial deficit and the expenditure-mix are a source of concern. There is no leeway for providing a powerful impulse to the economy, although this now seems less necessary than it did. However, President Clinton's plan to shift expenditure gradually towards infrastructure, education and research should eventually help to strengthen the productive forces in the economy.

The actual and expected changes in transatlantic interest rate patterns and the growing confidence

in the US economy, combined with declining confidence in the political and economic situation in Europe, caused the dollar to rally strongly. At year-end 1992 the dollar was, at NLG 1.81, above its level at the start of the year. A further increase is likely.

Germany

Thanks to favourable weather conditions, the first quarter of last year saw an interruption in the steady decline of the German economy which had started as early as the summer of 1991. After the first quarter, however, this decline re-emerged as a full-blown recession. The inflationary pressure, which was triggered by the overheating of the economy in the wake of German unification, continued unabated, partly due to substantial wage increases. Consequently, the Bundesbank was reluctant to relax its monetary policy. Only when the *EMS crisis occurred* was the central bank prepared to give some ground, but its grip on official rates remained tight. Money market interest rates did fall a percentage point, but in the last quarter started to creep up again to almost 9% at year-end. The yield curve remained inverted, with capital market rates about 1.75 points below money market rates at year-end.

The Bundesbank geared its interest rate policy largely to the growth in the money supply, which it considered to be far too rapid, and the inflation figures. Some German economic institutes seem justified in questioning the strong emphasis placed on the money supply figures. At least part of the increase in the money supply will have been non-inflationary. An increasing proportion of credits to the eastern federal states was used to finance investments and, therefore, to create production capacity. The resulting demand for German capital goods was far outweighed by the reduction in demand from the western part of Germany and other countries. Furthermore, a downswing in the economic cycle is initially accompanied by additional demand for credit to finance involuntary stockpiling and to maintain liquidity. Some companies will also tend to maintain higher cash resources as investments are postponed. Yet another factor is the inverted yield curve, which encourages the maintenance of high bank deposits. Finally, the central bank's interventions to ease currency tensions have led to a distortion of the money supply. The money creation resulting from these factors entails little or no inflationary risks. It is therefore reason-

able to wonder whether the Bundesbank should not have been guided by other signs like rapidly decreasing capacity utilisation, stagnating or even declining producer prices and falling import prices. The impression is that as the year progressed the central bank paid less and less heed to economic indicators while seeking to exert pressure on the negotiations between the two sides of industry, as well as between central and local government, with the aim of holding down labour cost increases and limiting the public sector deficit.

An upturn in the German economy cannot be expected until the second half of the current year. As in the United States, the need to reorganise government finances will keep the economy under pressure for years to come. In addition, a resurgence of production in the east of the country will initially put a brake on the recovery in the western federal states.

Rest of Western Europe

The economy of the United Kingdom reached the lowest point of a protracted recession at the beginning of the year under review, but there was still no sign of recovery. The property crisis persisted and eroded profits in the banking industry. The pound's devaluation by about 15% may lead in the current year to a resumption of growth in business investment, particularly for export-orientated companies. Little can be expected in the way of consumer-led recovery. Despite low inflation, consumer spending is still sluggish due to falling wage increases and the continuing rise in unemployment. The sharp increase in the savings ratio may have come to an end, but the grinding burden of debt is still preventing a strong recovery in consumer spending. Unlike short-term interest rates, long-term interest rates remained well above German levels after the withdrawal of sterling from the European exchange rate mechanism. Evidently, the floating exchange rate has not given the British the freedom to determine their own pricing of capital. In view of the extensive international integration of the commercial and financial markets, this is hardly surprising.

The economies of France and the Benelux countries remained fairly strong and have still not fallen prey to recession. However, business investment in France did show a decline for the second year running. The business sector was faced with high

real interest rates of 5% to 6% and later in the year the strong franc undermined French competitiveness. This, in combination with rising unemployment, prompted a number of politicians and captains of industry to advocate abandoning the 'franc fort' policy. The idea that such a policy U-turn would lead to a sharp and lasting drop in interest rates is open to question as this move would also result in a significant loss of confidence. On the whole, the increasingly rigorous exchange rate policy pursued within the framework of the EMS since 1983 has considerably benefitted the French economy through decreased inflation, falling interest rates, accelerated growth and stronger budget discipline. Moreover, French competitiveness has greatly improved and in a number of sectors French companies can now even compete on equal terms with their German rivals. The hard franc, therefore, has not prevented a strong export performance.

The economies of Spain and, in particular, Italy weakened. In Italy industrial output dropped for the second successive year. As the budget went out of control and confidence in the political system collapsed, defence of the lira and participation in the exchange rate mechanism became impossible.

In the three non-EC Scandinavian countries a combination of an economic slowdown and old loans to the real estate sector landed a number of banks in such deep trouble that the various governments had to mount massive support operations.

Japan

Problems similar to those in Scandinavia have been affecting the Japanese banking industry for some time. Due to the extensive share portfolios held by the Japanese banks, the continuing stock exchange crisis is adding to their woes. The precise magnitude of the bad debts in the lending portfolio is not clear. And though this is not evident in the year-on-year figures for national output, industry is certainly contending with a severe recession. Industrial output fell 8% between mid-1991 and the second quarter of 1992, and has not picked up since. It is debatable whether the extremely low interest rates and the government's incentive programme will be sufficient to kick-start the economy in the present year. Japan's enormous current account surplus may aggravate the tensions with its

trading partners. On the other hand, it may also assuage fears that Japan could contribute to the contraction in the global supply of capital.

The economy in other parts of the world

The continuing expansion in South-east Asia (outside Japan), together with the appreciation of a number of currencies that are more or less linked to the US dollar, is still stimulating the world economy. Particularly striking is the buoyant growth in China, where the government has been compelled to tighten the reins somewhat.

In Latin America, the general economic climate continued to improve but the differences between a number of countries became more pronounced. Whereas in Chile expansion gathered pace amidst growing confidence in the economy, Brazil saw its hopes of drastic economic reforms and a reduction in foreign debt fade further. Brazil is increasingly showing symptoms of political and commercial paralysis. The need to distribute the growing wealth more fairly in order to safeguard political stability and consolidate economic reforms was illustrated in Venezuela.

Owing to the inflow of capital, various Latin American countries are having problems implementing their exchange rate policies and keeping the domestic money supply under control. Mexico found a remedy in repaying foreign debts and cutting interest rates. This policy was only possible, however, thanks to the healthy government budget.

The Commonwealth of Independent States threatens to disintegrate and the situation in the separate member states is also far from rosy. The political situation in Russia still provides insufficient support for an effective, coherent policy of economic reform. The monetary system is in chaos, with the exchange rate of the rouble plummeting from 120 to 400 per US dollar and domestic inflation running at an estimated 2,000%.

In some eastern European countries, particularly Hungary, the former Czechoslovakia and Poland, the economic situation took a turn for the better. Western Europe offered extensive export opportunities to its markets. Most of the companies that made use of these opportunities do not yet operate

on a normal commercial footing, however. This support therefore dealt a disproportionately hard blow to certain sectors in the western European countries, including the Netherlands.

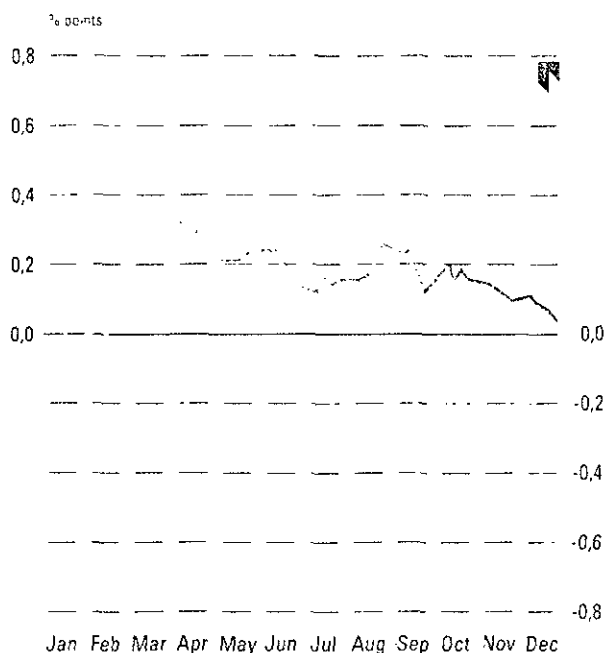
Once again the Uruguay round of negotiations on world trade was not brought to a successful conclusion. The protracted delay, which was caused partly by the French resistance against the adjustment of the European agricultural policy, has now led to a risky situation as the new US administration includes several top officials who are not proponents of free world trade. Consequently, the ever-active sector lobbies may well receive a more sympathetic hearing from the federal government than has been the case since the Second World War.

The Dutch economy

The Dutch economy performed surprisingly well last year, even though a large number of firms found themselves in great difficulties. In the third quarter a resurgence of spending on consumer durables stimulated industrial activity. Growth of output turned out at 1.5% for the year as a whole. Exports were hit as major trading partners showed declining import growth. Inflation fell sharply, from a peak of 4.75% (year-on-year) in the fourth quarter of 1991 to 2.75% in the last quarter of the year under review.

The average profitability of the corporate sector fell owing to a sharp rise in wage costs per unit of output and the need to make price concessions in the face of fierce competition. This competition stiffened towards the end of the year when the currencies of a number of countries which represent more than 20% of the Dutch export markets, decreased in value against the guilder. This was partly offset by the recovery of the US dollar, which determines the pricing in about 10% of the Netherlands' export markets. A further rise in consumer spending, coupled with export growth of a few percentage points, will probably again keep the Dutch economy from recession in 1993. However, company profits will on the whole continue to edge down but at the same time a further fall in capital market interest rates is expected. Unemployment, which started to rise towards the end of 1992, will continue to climb for some time.

Dutch-German interest differential



Money market rate	German interest rates
Capital market rate	1-1-1992 short: 9.7% long: 8.2%
	31-12-1992 short: 8.9% long: 7.2%

The most striking development was undoubtedly the increasing independence of the Dutch interest rate policy. This was promoted by the country's economic indicators which were very strong compared with the German figures in such areas as output growth, inflation, government finances and the balance of payments on current account. A further positive factor was the restraint shown by employers and unions who responded to the deteriorating economic outlook by putting pay talks on hold. In addition, the Netherlands has established a very credible exchange rate policy over the past ten years. The increasing strength of the guilder could therefore be translated into a fairly significant reduction in both long and short-term interest rates compared with German rates (see graph). In the current year, too, the economic fundamentals remain relatively favourable. It should therefore be possible to follow, if not surpass, any interest rate cuts in Germany without any problem.

The planned reduction in the financing deficit as laid down in the coalition agreement was again achieved in 1992. The Netherlands seems to have escaped the trap of allowing the national debt to

rise so high that interest payments become the overriding expenditure item. This does not mean that government finances will have been restored to health once the provisional target, a financing deficit of 3% of Gross Domestic Product, has been achieved. For expenditure relative to GDP, and consequently taxes, is still far too high. What is urgently required is a new norm designed to reduce public expenditure as a percentage of national product.

In addition, the public expenditure-mix is wrong. More funds should be earmarked for infrastructure, education and research. One of the steps necessary to achieve this is to reduce the number of benefit claimants in relation to the number of employed people. The year under review again saw little progress on this front. We admit that employers have responsibility in this respect but the pace with which the new legislation on disability benefits has gone through Parliament is disappointing. The eventual compromise will only result in savings in the longer term. Whether it can be seen as a final arrangement is open to question.

In the past year, the discussions on the need to strengthen Dutch competitiveness turned once again – and no doubt prompted partly by the slackening economy – to the subject of ‘industrial policy’. Our bank has joined this debate on various occasions. In our view, the government’s contribution to a strong industrial base should consist in the first place of the creation of the right macro-economic conditions to ensure the health of industry and to make the Netherlands an attractive business location. Cutting costs and taxes/social insurance charges, the use of funds for improvement of the infrastructure and the creation of a more flexible labour market are indispensable ingredients to this end. It is essential that the Minister of Economic Affairs holds a strong position if this is to be achieved. In addition, an industrial policy could direct more specific attention towards education and research. The coordination and support of cooperation between companies as well as between the business world and education and research institutions (clustering), as proposed by the Minister of Economic Affairs, is a constructive policy line. Success in this field also provides the best guarantee for the retention and expansion of fundamental and applied technology as the basis for industry with in-house design and development

capacity. An unsolved problem is the formulation of selection criteria. In view of the great risk of error, i.e. allocating time and money to ultimately non-profitable businesses, it is vital to tread warily in granting financial support on a large scale. In this context the industrial fund which was set up on the proposal of the Minister of Economic Affairs provides for an appropriate limitation of financial support per company. In formulating the rules of the scheme a great deal of attention must be paid to maximum objectivity of the selection criteria.

In exceptional cases of unfair competition in the form of support to industrial sectors or individual companies which cannot be prevented by other political means, attention must also focus on matching in behalf of healthy businesses in the Netherlands.

Domestic network

Customer group management strategy

A targeted approach to specific customer groups is the key to our service strategy in the Netherlands. Our customer group management philosophy hinges on providing a package of financial products and services which is carefully tailored to the needs of each market segment. By channelling our sales efforts along these lines we aim to strengthen our prominent position in the Dutch market. The organisation of the Domestic Division (see pages 80 and 81) reflects this customer group management philosophy. A primary distinction is made between business and personal customers, with further division into subgroups. To facilitate the customer group management process, the Division comprises three Directorates General, responsible for wholesale banking, consumer banking and the branch network, respectively. Our branches provide the main sales outlet for our domestic operations, serving both business customers and personal customers.

Business customers

Corporates

In the business market we successfully maintained our position as provider of financial services to corporate clients, a group comprising approximately 10,000 companies in the Netherlands. Our aim is to build upon existing relationships by promoting sales of professional customised products. This we hope to achieve through the establishment of a customer-orientated organisation structure in which expertise and discretionary powers are strongly decentralised. Initial experience shows that this approach has been well received by our customers. The year 1992 saw the completion of a network of ten regional Corporate Units, staffed by almost 400 trained specialists in this field.

Each Corporate Unit includes an International Desk and a Treasury Desk. The task of the International Desks is to support business customers in their cross-border activities. The Treasury Desks have recorded a sharp rise in the volume of transactions in the short time that they have been in existence.

Professional advice geared to the customer has proved to be a valued service, especially in times of currency upheavals. Each of the ten Corporate Units also has a Public Sector Desk, specialising in governmental, utility and health care business. Among other tasks, these desks are actively engaged in finding solutions to the problems of financing health care institutions in the future. Financing environmental projects, which are mainly the responsibility of local authorities, also calls for a creative approach.

Small and medium-sized businesses

To expand our share in this market segment, we have opted for a systematic approach at local level. In mid-1992 we appointed staff specialising in the various customer and product groups in all ten regions. A new departure is to have regional specialists in investment banking and special finance, who will concentrate on mergers, venture capital and complex financing constructions.

Growth in the volume of lending to small and medium-sized businesses developed in line with the market trend. The volume of corporate funds entrusted to the bank also showed a further increase and there was a slight improvement in margins. Services to medium-sized businesses will be further enhanced in 1993 through greater involvement of local specialists working in collaboration with account managers. The approach to the small business sector, involving more than 200 specially trained Small Business Advisers, again bore fruit in 1992. This also applies to the newly developed policy for business start-ups, which was reflected in the establishment of Starter Desks in Amsterdam and Utrecht, for example.

Following the 'Export drive' report commissioned by the Small and Medium-Sized Businesses Export Council, we have endeavoured to tap the export potential of the small and medium-sized business sector. Now that the ten regional International Desks, which are modelled on our Dutch Desks in the international network, have become operational, an important step has been taken towards attaining this goal: any company seeking to expand

its international business will be able to count on the support of experts at the International Desk in the Netherlands and at Dutch Desks abroad.

Our long-established teams of regional Agricultural Specialists are performing well. A large number of uncertainties (like the GATT negotiations) and disappointing results depressed the level of investment in the agricultural sector. Our lending to agricultural producers was up 7% in 1992.

Commercial subsidiaries

The bank plays an important role in the fields of factoring, leasing and property. These activities, which are generally carried on by separate subsidiaries, are profitable and have high potential. The factoring market again grew strongly in 1992, with a volume increase of around 10%. There is an ongoing process of internationalisation and product diversification in this sector. IFN Factors operates independently in the Netherlands, Belgium and Germany, and further expanded its international activities by the takeover of Venture Factors in the United Kingdom. As a consequence of economies of scale, the good results are expected to show a continued improvement in 1993. Furthermore, IFN Factors is active worldwide through its membership of the International Factors Group. IFN Factors saw a satisfying development of turnover and profit.

Growth in the vehicle leasing market (7%) was slightly down on forecasts, and we expect growth to level out even more in 1993. What growth there is will be concentrated on small fleet operators, the public sector and private individuals leasing a car for business purposes. In the light of these developments, the results of our vehicle leasing companies are certainly very satisfactory. The sharply improved results of Amstel Lease (equipment leasing) were partly due to growing demand for operating leases.

The results of ABN AMRO Onroerend Goed were satisfactory. A lower volume of short-term commercial property finance was offset by an increase in the volume of leasing. The quality of the portfolio was maintained at a high level. ABN AMRO Projectontwikkeling (property development) showed a satisfactory result, mainly due to the selective acquisition policy pursued in the past.

Personal customers

In the consumer banking market we rank third with an overall market share of around 18%. However, we are market leaders in fields like investment and consumer credit. Competition for personal business continues to intensify. Both banks and non-banks are attempting to win customers for a whole range of financial services.

It is ABN AMRO Bank's objective to expand its market share in this dynamic environment while at the same time maintaining profitability. The disposal of our four operations to Holland International in November 1992 was in line with the policy of concentrating on financial services.

The utmost attention has been paid to the quality of our products and services and marketing operations. In 1992 we implemented the ABN AMRO Quality Management system, which concentrates on improving processes and making quality an ongoing, integral part of the day-to-day working environment as well as on introducing a uniform complaints procedure.

On the marketing front we mounted a major internal campaign under the slogan 'Regatta', successfully boosting branch sales of selected products and services.

Private banking

High net worth individuals whose income or financial position necessitates complex advice and small and medium-sized institutional investors make up the private banking customer group. Personal service, expertise and tailor-made solutions are the key elements. In 1992, the number of private banking units in the Netherlands was increased by four, taking the total to ten, and the number of 'private bankers' rose to 280. We successfully defended our leading position in this attractive market, but competitors are increasingly developing a similar approach.

Our strong position in the market for affluent personal customers will be expanded in the years ahead by allocating and training advisers for this specific customer group. In addition to financial expertise we are concentrating on active account management.

Young people and students

The development in the sale of services to these strategically important target groups was very encouraging. The number of Eurostyle Accounts increased by 40%, in line with the ambitious target. A young people's savings campaign was very successful. The product range for students was expanded with the ABN AMRO Student Credit and ABN AMRO Student Credit Card.

Medical sector

There was a downturn in borrowing in this market, but despite the intensified competition, we were able to maintain our market position. Policy is aimed at more active selling of services based on a customised approach and a high standard of service. In 1993 we shall be aiming to expand lending.

Investment

The stock market climate worsened during the course of 1992, so that commission income was only marginally up on 1991. Investors again tended to steer clear of risk in 1992, preferring tax-efficient products instead. We successfully took advantage of this development by launching the ABN AMRO Interest Dividend Fund and the ABN AMRO Interest Growth Fund. The growth of the ABN AMRO Liquidity Growth Fund and the ABN AMRO Bond Growth Fund continued strongly. The total assets of ABN AMRO investment funds rose by 36% to over NLG 17 billion. For long-term investors we launched our Investment Plan: a combined life insurance and annuity plan in which customers can select the investments themselves. Our investment fund market share rose from 18% in 1989 to 24% in 1992.

Saving

The year under review was characterised by major upheavals in the savings market. New players attempted to acquire market share by offering high interest rates. In addition, there was a sharp downturn in the rate of growth of private time deposits, partly as a result of the substantial interest in our investment funds. Classic savings at ABN AMRO Bank grew by around 4.5%, a figure which is slightly below the market average.

Lending

The consumer credit market grew by 6% to around NLG 18 billion in terms of outstanding loans. The 'loan line' was one of the products with which our

bank managed to better this growth rate, achieving a figure of 12%. The range of consumer credit products was extended to include the ABN AMRO Credit Card Facility and the ABN AMRO Student Credit.

The home loan market was worth around NLG 30 billion in new loans in the year under review, an increase of more than 10%. The rate of growth of ABN AMRO Bank's mortgage portfolio was slightly below the market average in 1992, although a better return was achieved.

Finance subsidiaries

Falling sales of consumer durables have affected the position of the finance companies, the biggest of which are IDM Bank and Finata Bank. The risks in this market increased slightly during the course of the year, and we expect this trend to continue in 1993. The development in the portfolio resulted in a slight drop in market share. The operating result showed a clear improvement on the previous year, however.

Payment services

The policy aimed at improving the efficiency of payment behaviour took further shape in the year under review. In this context campaigns were launched to encourage the use of more cost-effective forms of payment. The introduction of transaction-linked pricing for business customers has already been reflected in some improvement in efficiency. Businesses are gradually switching to less costly payment methods. To encourage the efficient use of payment services by personal customers, we introduced a scale of charges on 1 January 1993. An important feature of the new pricing system is that individual customers have the option of free, low-cost or expensive methods of payment and as a result are in a position to control their own costs. The introduction of the pricing system was preceded by a publicity campaign entitled 'Pay the Right Way'.

Cash payments, especially cash deposits by retailers, are a costly service and therefore a major cost item to the bank. We are therefore encouraging the use of PINs. The introduction of a leasing option for point-of-sale terminals in July 1991 has proved a great success: over 5,000 terminals have since

been installed with retailers. There is also a great deal of interest in portable terminals. Our customers are already making more than half a million payments a month by point-of-sale electronic funds transfer. The number of cash withdrawals from our own network of 900 ATMs continues to rise, and is now running at around four million a month. The number of account holders discovering the convenience of our credit cards also increased appreciably.

In addition to the further implementation of transaction-linked pricing for business and personal customers, a great deal of attention will again be paid to internal efficiency improvements and innovation in 1993. In the foreign payments market, the bank maintained its leading position. Commission income remained at the 1991 level.

We expect the economic slowdown to be reflected in both domestic and foreign payments, as the number of transactions and volumes are under pressure. Owing to the efficiency measures already implemented, however, we expect to see improved profitability in 1993.

Electronic banking

We are keen to continue expanding our prominent position in the electronic banking market. In 1992 we introduced several new products in the field of national and international payments. These included a Telebank PC module (representing lower telecommunication costs to the customer) and a file transfer module for transmitting large batches of domestic and foreign payment instructions to the bank. It is pleasing to report a further sharp rise in the number of electronic banking users in 1992 (approximately 6,900 new contracts). And at the beginning of January 1993, a special celebration was organised to mark the 15,000th subscriber to the Telebank system. We expect growth in 1993 to be just as strong as in 1992.

Insurance

Non-life premium revenues grew by over NLG 75 million. Owing to the changes connected with the general reform of the Dutch tax system and the deteriorating economic climate, commission income on life business was substantially lower than in previous years.

Despite increasingly stiff competition we nevertheless succeeded in further expanding our insurance portfolio. Overall, the result was satisfactory, especially when market developments are taken into account. In order to strengthen our position in the life insurance market, we plan to set up our own life insurance company in 1993, enabling us to operate for our own account in the market with both life and non-life products.

Our approach to the corporate market, which centred around risk management, was successful. Our small and medium-sized business portfolio also grew strongly, although caution is required in view of the continued deterioration in the underwriting results. Action has already been taken to improve the situation.

The highly automated processing of our Insurance Package product was one of the aspects accounting for the strong contribution to results from this product. The hybrid savings/investment and insurance products developed in-house sold well. The underwriting result on our motor insurance portfolio reflected the deterioration in the marketplace. Revision of premiums in 1993 will be unavoidable.

The domestic branch network

After intensive preparations during the previous year, 1992 was the year in which the integration of the former ABN and AMRO branches rapidly began to take shape. Following the establishment of the new regional and district boundaries in 1991, the administrative structures were reorganised along similar lines in 1992. Decisions were finalised on the type of branch and associated product range with which we wanted to be represented in a particular market, and the buildings to house the various departments were chosen.

At the regional and district offices, a start was made with merging personnel officers, the audit units, the administrative service centres, the insurance specialists and the commercial support functions. This process will be completed in 1993.

Centralisation of the administrative activities at one location in each district was begun in the course of 1992. This operation involves concentrating and integrating the administrative activities at

32 locations instead of 170. The entire process will take until 1994.

In 1992, work started on merging pairs of smaller branches serving the same local area and on housing them in one building. The object of this exercise was both to gain experience with the process of converting the two former administrative systems to the new ABN AMRO systems and to accelerate the process of integration. This process will continue in 1993, beginning with a further 70 pairs of small ex-ABN and ex-AMRO branches to add to the 59 already merged in 1992, and finally encompassing all the branches in the Utrecht district. In the latter half of 1993 we expect to be able to make a start with the integration of all our remaining branches. One third of these will be integrated before the end of 1993 and the other two-thirds in 1994.

As a result of the merger and integration of branches, the number of outlets in our branch network will continue to decline in 1993 and 1994 although our presence in the market will remain unaltered. We also opened several new branches in 1992, including two self-service branches. A small number of new branches will also be opened in 1993.

All our efforts are aimed at completing the integration of the branch networks by the beginning of 1995. In the space of just three years an entirely new bank organisation will have been put into place.

International network

One of the main pillars of the bank is its international network. With over 450 branches in 56 countries, not including the home country of the Netherlands, it is among the most extensive banking networks in the world. A substantial part of the bank's activities is carried on outside the Netherlands. In order to gain maximum advantage from our international network, the bank's policy is aimed at the integrated operation of all its outlets at home and abroad, supported by head office expertise:

Other important policy objectives of the bank are:

- ◆ gradually to expand the share of the international network to approximately half of group profits;
- ◆ to be among the five largest foreign banks in all countries where we are present (which in many cases we already are);
- ◆ to continue strengthening our network in countries where we are already established, and also to expand into new countries, either through the opening of own branches or through acquisitions. Takeover opportunities are being sought mainly in the United States and Western Europe, although other regions are not ignored. Where we open representative offices, this means the first step towards a full banking licence.

In our international network we concentrate on the following markets:

- ◆ multinationals and large international corporations;
- ◆ medium-sized local companies, especially those with international activities;
- ◆ institutional investors and financial institutions;
- ◆ subsidiaries of network customers in other countries;
- ◆ high net worth individuals;
- ◆ retail banking in a limited number of countries.

In order to strengthen our position among these customer groups or to penetrate these markets, we support the network with targeted development of new corporate finance and treasury products, sophisticated trade finance and electronic banking. In many countries we also engage in cap-

ital market activities. We specialise in more complex financing constructions, including project finance, aircraft leasing and energy projects. The SCORE system will form the basis of our automated administration in the latter half of the 1990s. Implementation of this fourth-generation system will have been completed within a few years.

The branch network

Strengthening our international network is an ongoing priority. In 1992 we opened fourteen branches in countries where we already had a presence and obtained approval to open a representative office in Ho Chi Minh City, Vietnam. In the Commonwealth of Independent States we have applied for licences in St. Petersburg in Russia and Kiev in Ukraine. An offshore licence has recently been received for our Thailand branch. We were granted a full banking licence for our representative offices in Prague and Budapest, and a start has already been made with the expansion of activities in these two cities. We were also granted a full banking licence by the Chinese authorities for our representative office in Shanghai.

Developments

Results

Our international network had to contend with a shrinking economy in both Europe and Japan in 1992, and it was not until the end of the year that there were signs of an upturn in the United States. Growth in the Far East continued unabated. The strongly positive yield curve for the US dollar and related currencies, which benefitted our operations, comfortably made up for the unfavourable yield curves for most European currencies. The exchange rate upheavals of the last quarter resulted in a sharp rise in our money market and foreign exchange operations. Despite the economic climate, both lending and gross result increased. Although we operate in many countries where the economic climate is less than favourable, bad debt provisions are at an acceptable level.

The US dollar rate averaged NLG 1.76 compared with NLG 1.88 in 1991. Consequently, the sharp fluctuations in the value of the US dollar during the year had little impact on the result. Growth in international network gross profits in 1992 was favourable. Compared with 1991, the figure was up 38%. Gross profit contribution to group results was 37%, against 29% in 1991, despite incidental setbacks in Germany, France and South America. Total income was up 23% while costs rose by only 17%. The excellent results in the United States stand out particularly, with a contribution to the consolidated gross profit of over 20%.

Lending

Lending showed a rise of 15% from NLG 85.5 billion to NLG 98.3 billion. The takeover in February 1992 of Talman Home Federal Savings & Loan Association in Illinois, a savings bank with 37 branches in and around Chicago, accounted for NLG 5.9 billion of this figure. Lending volume showed the following regional analysis: *

	% of total				
	1992	1991	% change	1992	1991
Europe	39.9	38.8	3	40	45
North America	41.4	29.7	39	42	35
Middle East and Africa	1.0	0.7	43	1	1
Rest of Asia and Australia	13.4	13.9	(4)	14	16
Central and South America	2.6	2.4	8	3	3
	98.3	85.5	15	100	100

* excluding Mees Pierson and Lease Plan Holding

Growth in lending was exceeded by growth in funds entrusted to the group abroad, reflecting the confidence our organisation also enjoys outside the Netherlands. This is partly the result of our policy of extending our stable funding basis. The takeover of Talman was a case in point. The interest margin showed a slight improvement.

Europe

Despite the fact that the process of integration in the European Community received several setbacks in the year under review we were able to fur-

ther strengthen our solid position. Economic development in most EC countries was not favourable. This was reflected in the results for the region, which lagged behind the rate of growth for the international network as a whole.

In Germany, the integration of our two subsidiaries in 1992 led to incidentally higher costs. Merging the various automated systems involved a great deal of effort. Even so, a modest gross profit was recorded.

The results of our operations in France were squeezed by the severe slump in the French property market, which hit Banque de Neuflyze, Schlumberger, Mallet (NSM) along with other institutions. The interest margin also shrank. The foreign exchange activities carried on by the integrated NSM/ABN AMRO office in Paris reported good results.

In the United Kingdom, results showed a strong improvement. The policy of improving the low return on the substantial lending portfolio and achieving selective growth bore fruit.

Our Swiss operations showed satisfactory results. As far as Turkey is concerned, our minority interest in Euroturk Bank was disposed of in view of our intention to concentrate on our own activities at Holantse Bank-Üni, Istanbul. Our branches in Southern Europe had a satisfactory year, with Greece, Spain and Portugal all reporting improved results. The Portuguese organisation opened a branch in Madeira. The Luxembourg branch more

than doubled its gross result, while Belgium and Ireland made profit contributions similar to the previous year's. The operating results of our Scandinavian branches moved ahead sharply, despite the local economic difficulties.

In the former COMECON countries we developed considerable commercial activity coordinated by our Vienna branch. International Bank in Poland, a joint venture with a number of other banks in Warsaw, is functioning well.

North America

North American operations accounted for over 55% of international network profits in 1992. This encouraging result was due in part to the Talman takeover, the favourable interest margin and continued expansion of market share. In the corporate market, the ten ABN AMRO branches now rank among the major players, offering an extensive package of products.

In the Chicago area, where LaSalle National Bank and Talman together have a 13% share of the retail and small and middle markets, we are one of the biggest banks. Our services are offered through a network of 58 branches.

In New York and on Long Island, European American Bank (EAB), with 89 branches, is an important player in the retail and small and middle markets. After the 1991 rationalisation, its customer base is now showing encouraging growth. To improve administrative efficiency, the LaSalle and EAB computer centre activities have been concentrated at one location in Chicago.

Trust and securities activities made good progress. A new family of investment funds was set up under the name Rembrandt. These funds are aimed at both private and institutional investors in America. Capital market activities were considerably expanded by the underwriting and placing of bond issues by local authorities and similar borrowers.

The operating result of our Canadian business was virtually unchanged. Due to considerable bad debt provisions, however, the net result was unsatisfactory.

Middle East, Far East, Africa and Australia

Our Middle East branches can look back on a very good year. The branches in the Gulf States (Bahrain, Dubai, Abu Dhabi and Sharjah) once again achieved significantly higher results than in the previous year, and we look to their further development in 1993 with confidence. Our three Lebanese branches are growing faster than expected, and we shall be aiming to achieve further expansion. Our joint venture bank in Saudi Arabia (40%) consolidated its position, and opened its 31st branch in the year under review.

Within the international network, the Far East has become a major source of income. Economic growth continues unabated and this is reflected in the good results recorded by our bank in this region. We shall be further strengthening our Far East position over the next few years. The advantages of the merger between ABN Bank and AMRO Bank were already clearly manifesting themselves in 1992. In nearly every country in the region where we have a presence, the results were significantly higher, with our branches in Singapore, Hong Kong, Taiwan, India and Pakistan heading the list. In Indonesia, our many years' experience paid dividends, and the new branches in Surabaya and Bandung also contributed to the result.

In South Korea, too, where the acquisition in 1991 of the Seoul branch of Chemical Bank made an important contribution to both the volume and profitability of our local operations, developments were highly satisfactory.

In the current year we plan to open new branches in Shanghai (China), Madras (India) and Lahore (Pakistan), as well as a second branch in Colombo (Sri Lanka). As the year drew to a close – as already mentioned earlier – we received a licence for a representative office in Ho Chi Minh City (Vietnam).

In Africa, our branches in Kenya recorded excellent results. Despite the deteriorating economic climate we managed to continue expanding our local operations. ABM Bank (Marokko), a 50% interest, increased the number of its branches to 21 and made an unchanged contribution to group profits.

Results in Australia recovered well, and here too we look to 1993 with confidence.

Central and South America

In many countries in South America we operate under the name Banco Holandés. The results in Ecuador, Uruguay and Paraguay were satisfactory.

Due to political instability and economic difficulties, our Brazilian operation, which now enjoys 'multibank' status and has 30 branches, achieved a disappointing result, however. The current reorganisation, coupled with the relocation of the regional head office from Rio de Janeiro to São Paulo, is expected to bear fruit in 1993. Operations in Argentina were reorganised in 1992, and this led to an improvement although the result for the year as a whole was still a loss. We expect Argentina to make a contribution to group profits in 1993.

The recently opened representative offices in Mexico City and Caracas made a good start. In the Netherlands Antilles we took action to bring about a structural improvement in the profit contribution. The results from Aruba were satisfying. Our two Surinam operations (ABN AMRO branches and a 49% interest in De Surinaamsche Bank) recorded satisfactory results under occasionally difficult conditions.

Investment Banking & Global Clients

The activities of the Investment Banking & Global Clients Division include coordinating financial services to large corporations, institutions and high networth individuals, financing complex projects or products, managing new issues, providing corporate finance services and carrying on money and capital market operations (for the bank's own account and on behalf of customers) and asset management and trust activities. The integration of the ex-ABN and ex-AMRO activities was successfully completed. Cooperation between head office and the domestic and international branch networks was intensified with the object of maximising the benefits from the available in-house expertise.

Global Clients

Global relationship management

The top ranking corporations in the international business community form the customer base of the Global Relationship Management Directorate. To ensure the same standard of service all over the world, the Global Relationship Manager acts as coordinator between the client's worldwide organisation, the bank's specialists and its domestic and international branch networks. Apart from expanding sales across the product range, the declared aim of Global Clients policy is to strengthen the bank's position as an arranger of loans.

Special products

In the Special Products Directorate, the Aerospace and Structured Finance Department achieved good results. Civil aviation is going through difficult times and operating results in the industry continue to be severely depressed. Thanks to a selective policy, the bank was nevertheless able to conclude a number of transactions with international clients. The arrangement of structured finance is becoming an increasingly significant activity. At the end of 1992, it was decided to set up a Shipping Desk which is to combine the available expertise and coordinate activities in this sector. The desk will operate in close conjunction with our branches in ports such as Rotterdam and Piraeus, which already provide shipping finance.

The Project Finance Department was involved in many projects. These were mainly in the field of electricity generation outside the Netherlands. In oil and gas production we retained our prominent role as financiers.

The Credit Structuring & Syndication Department, which was set up shortly after the merger, had a successful 1992 in terms of volume and number of (co-)arranged syndicated loans. In 1992 ABN AMRO Bank ranked among the top ten syndicated loan arrangers in the world, with more than 130 transactions in North America, Europe and Asia and an underwriting volume of over USD 10 billion. It is one of the few international banks with a prominent position in these markets.

Despite the decline in credit insurance facilities for capital goods exports to a number of countries, the Export Finance Department achieved good results.

Banks and governments

Governments have become increasingly active players in the international syndicated loans market in recent years. In 1992 our lead managements included an ECU loan for the Kingdom of Sweden. The number of accounts held by foreign banks in our books increased sharply, both in Amsterdam and in Vienna. This development was mainly due to the changes in the banking system in a number of countries in Eastern Europe and the Far East.

The developments in the international banking industry led us to tighten the monitoring of foreign bank limits. This includes the development of systems to manage our exposure as efficiently as possible. The syndication of trade credits among foreign banks was increased. This activity places us in a better position to accommodate our customers without an increase of risk to the bank.

New Issues, Corporate Finance & Venture Capital

Domestic new issues

A novelty in 1992 was the listing of a cooperative on the Amsterdam Stock Exchange: Apothekers Coöperatie OPG U.A. A banking syndicate led by ABN AMRO Bank managed the flotation by means of a secondary offering.

Bond market developments benefitted from the improved interest rate climate in the closing months of 1992. Various debtors tapped the market, including *nv Bank Nederlandse Gemeenten* with a NLG 1 billion issue, the largest amount ever raised on the Dutch capital market apart from Dutch government loans. *International Financing Review* called the issue 'Deal of the year 1992 in guilders'. There was only one convertible issue, namely by *Koninklijke Nijverdal – ten Cate nv*.

International new issues

Our high ranking for stocks and bonds was successfully maintained in various Eurocurrency league tables. We managed issues for *Aegon N.V.* (NLG 1 billion, including a NLG 500 million floating-rate fixed-rate bond issue), the *World Bank* (NLG 750 million, the largest supranational issue), *Electricité de France* (NLG 200 million), *Province de Québec* (NLG 350 million), *Asian Development Bank* (NLG 300 million) and *Inter-American Development Bank* (NLG 300 million).

The synergy between the international network and the product units in Amsterdam enabled us to develop new activities. We played an important role in the Latin American Eurobond market, with eight lead managements in the US Dollar segment for Brazilian borrowers.

Our Brazilian subsidiary, *Banco Holandês*, issued two loans under our management, one of USD 50 million and one of USD 75 million, which were keenly taken up by investors. We also acted as lead manager for the issue of local bond and equity related transactions in Greece and Singapore and as lead manager for highly successful preference share transactions handled by *Hoare Govett*.

Corporate finance

In 1992 our corporate investment, corporate advisory services and investment banking activities in

emerging markets were combined into one directorate. Our portfolio of equity participations in listed companies suffered from weak stock market conditions. The ABN AMRO venture capital companies, on the other hand, performed well during the year, and a start was made with setting up a number of venture capital funds outside the Netherlands.

The corporate advisory services market was characterised by restructurings and divestitures. Acquisitions were fewer in number. The picture in 1993 is expected to be much the same, with M&A activities picking up only slightly. However, we expect to see growing activity in the field of advisory services to clients embarking on strategic reorientation programmes as a result of the recession. The role of industrial sector specialists will become increasingly important.

Our international corporate advisory services network was extended into Eastern Europe in the year under review, with the support of a team of specialists at head office.

We are active in many fields in the emerging markets of Latin America, Eastern Europe and the Far East. A special department was set up in mid-1992 to concentrate on privatisations in these markets. The bank has already acted as adviser in a number of privatisations in Brazil and Argentina. In Latin America we continued to expand our capital market activities by participating in both local and international transactions. We set up an equity fund in Argentina and engaged in project finance in countries such as Brazil, Venezuela and Mexico.

In Eastern Europe, where capital market activity is bound to increase in 1993, we were involved in the first corporate bond issue in Czech korunas as well as in transactions in Poland, Russia and Hungary. In Turkey, we arranged the financing of a pharmaceutical company. In the Far East we were involved in projects in India and China.

Sales

Sales

The most important development as regards our money market and foreign exchange advisory services was the establishment of treasury desks

at our regional offices in the Netherlands. These desks, which have direct lines to the dealing rooms, enable us to offer a wide range of services to very large groups of customers in a professional manner.

Our efforts to profile ourselves as a multi-currency bank among institutional investors in the Netherlands and abroad led to satisfying volume growth in non-guilder capital market transactions without undermining our position in the guilder market.

A number of organisational changes were made in the sales departments to improve cooperation with the international network, with the aim of enhancing our customised service. These departments commenced sales of money and capital market derivatives to institutional investors.

International private banking

The emphasis on private banking as one of our global core business services to high net worth individuals once again led to significant growth in this market in 1992. The cooperation with the domestic private banking units and the product departments within the Investment Banking & Global Clients Division at head office, especially Fund Management, International Asset Management and Trust, enables us to offer the private banking client a comprehensive product via an extensive worldwide branch network.

Trading

Both in the Netherlands and abroad, excellent results were achieved on foreign exchange dealing in 1992, with a peak in September. As the year drew to a close, a further boost was received from the appreciation of the US dollar.

On the Eurocurrency market, developments were satisfactory both in margin and in volume terms. The initial administrative problems following the integration of the ex-ABN and ex-AMRO activities were almost fully resolved.

Our swap activities increased. We managed to maintain or expand our market share in guilders as well as the major foreign swap currencies.

Our results on derivatives improved. We launched

several new products, such as Fascons (Fixed term Agreement for Short term Call Options on Netherlands Securities) and Faspons (Put Options), and the Ladder Call Options on EOE Index. Higher volumes were recorded on all kinds of traded options, i.e. equity, currency and interest related.

The Dutch stock market had a difficult year, with disappointing company news for cyclical stocks in particular. Defensive shares, on the other hand, headed by the financial sector and publishing houses, performed well. The bond market also underwent an upsurge in activity. Despite fierce competition we achieved a substantial increase in turnover on the international bond market, especially in German marks, French francs and Belgian francs.

In 1992 we commenced net trading in major European shares, with the emphasis on Germany, France, the United Kingdom and Switzerland. After an initial period of low activity, large transactions are now a regular occurrence, and the major institutional investors are becoming increasingly involved.

Asset Management & Trust

Asset management

Our international asset management activities concentrated on expansion in North America. In the Netherlands, private portfolio management showed a slight decline in terms of both the value of assets managed and the number of clients. In contrast, our Curaçao-based asset management activities grew strongly; there is clearly a need for this new service. The interest in equity investment in this segment declined slightly.

Management activities on behalf of institutional clients showed satisfactory growth, thanks to new business and good performance on existing portfolios. The value of assets managed by our subsidiaries in France, Switzerland and the United States also showed satisfactory growth.

Investment funds

Total assets of the Dutch ABN AMRO Investment funds grew strongly to more than NLG 17 billion. This was achieved through an expansion of market share in the Netherlands and improved placing ca-

capacity in the international market. Furthermore, the range of investment funds was expanded by the launch of the ABN AMRO Interest Dividend Fund and the ABN AMRO Interest Growth Fund. Since its launch at the beginning of December 1992, the ABN AMRO Interest Dividend Fund has grown to around NLG 400 million. With assets of around NLG 2 billion, the ABN AMRO Interest Growth Fund has become a great success.

In addition to the expanded range of specific funds, the fixed-interest funds in particular contributed to the growth in total assets. The ABN AMRO Bond Growth Fund grew by NLG 2.1 billion to NLG 3.6 billion, making it the largest guilder bond fund on the Amsterdam Stock Exchange. The ABN AMRO Liquidity Growth Fund clearly met investor demand for short-term interest-bearing investments, and increased by approximately NLG 400 million to NLG 2 billion. There was a general decline in assets invested in equity, due both to reduced interest on the part of investors and to the dull stock market climate.

December saw the launch of a comprehensive range of investment funds in the United States under the name Rembrandt. This was a great success. The investment funds managed by our French subsidiary Banque de Neuflyze, Schlumberger, Mallet showed further growth.

Investment research

In addition to individual company research, our investment research activities are becoming increasingly orientated towards industry-wide research on a pan-European level. Cooperation between our international research units has been intensified.

Trust activities

Competition in this field has intensified, both from new trust organisations and from countries offering tax benefits to investors. Our trust companies nevertheless maintained their market share. In Luxembourg, the volume of business increased appreciably. In the United States, LaSalle National Trust continued to grow strongly, achieving commission income of USD 37 million.

Global Custody

The value of assets in the bank's custody continued to grow, thanks to a targeted sales drive. As at year-end 1990, assets in custody totalled NLG 194 billion; this figure had risen to NLG 225 billion as at year-end 1991 and stood at NLG 264 billion by the end of 1992. International marketing of our global custody products is concentrated in our subsidiaries in Switzerland, France and the United States.

In international surveys our custody operations scored extremely well. The settlement service and the general standard of customer service in particular were highly praised. We plan to continue promoting our custody products in selected countries.

International stockbroking subsidiaries

Despite fluctuating market conditions, our international stockbroking subsidiaries, especially ABN AMRO Securities (UK), achieved considerably better results than in the previous year. In contrast, the results of our Spanish subsidiary did not meet expectations.

Our efforts aimed at offering an extensive range of brokerage and corporate finance services on a global scale met with success. The synergies which exist within the ABN AMRO network are clearly beginning to bear fruit.

In June 1992, Hoare Govett was taken over. Hoare Govett is one of the best known UK firms of stockbrokers, with a strong position among institutional investors and corporate clients. This takeover was in line with our policy of further expansion of our securities activities in Europe. In Paris, the activities of two of our stockbroking specialists were integrated under the name Massonaud Fontenay Kervern (MFK). This gives us a very prominent position in the French securities market. We have also decided to set up a securities subsidiary in Canada.

Personnel domestic network

Personnel policy in 1992 was mainly concerned with the integration of the two banking organisations. There was close consultation with a great many staff concerning their position in the new bank. The various employee representation bodies dealt with requests for their formal opinion on a large number of plans.

In the latter half of the year, a start was made with the formulation of a personnel policy for the 1990s, taking into account external as well as internal developments. This policy is set forth in a Personnel Policy Report, which is also available to outsiders.

Employment conditions

With effect from 1 January 1992, the conditions of employment formerly applied by the two banks were harmonised in a single new system of conditions. This was a major operation, crystallising into a detailed and clear-cut set of rules during the course of the year. The transitional provisions connected with the various guarantees given also required considerable effort.

The decision-making process with respect to the pension funds was completed in November 1992. The two pension funds were merged, and the pension scheme regulations were integrated with retrospective effect from 1 January 1993.

The Collective Labour Agreement for the Dutch Banking Industry runs from 1 April 1991 to 31 March 1993. In accordance with the agreement, staff received general pay rises of 0.75% on 1 January 1992, 3.25% on 1 July 1992 and 1% on 1 January 1993.

The new staff appraisal system was implemented according to plan. The system is characterised by a balanced approach to performance-related pay, agreed job performance targets, a personal training plan, a record of interests, potential appraisal and, if applicable, a career development interview. The changeover to the new system was by no means a simple operation. Nevertheless, in line

with the terms of reference, a good differentiation was achieved between the top and bottom of the performance scale even in the first year of implementation. Merit awards as per 1 January 1993 averaged 6.5% of the performance scale amount.

Staff recruitment and redeployment

Because of the planned decline in full-time equivalent jobs, the strict limitation of external recruitment was continued. As in 1991, most new staff was recruited on a temporary contract. Recruitment rose from 6.1% in 1991 to 7.2% in 1992 but new permanent staff declined. Natural wastage remained almost unchanged at 8% compared with 8.2% in 1991. The net effect was a fall of 817 in the full-time equivalent staff of the domestic network. In the last two years, the number of full-time equivalent jobs has been cut by a total of 2,038.

In connection with the integration of the workforces following the merger, 2,056 staff were redeployed in the year under review. In view of the results to date and the projections for the next few years we have every confidence in the success of the redeployment policy. Our frequent encouragement of a positive attitude towards a change of job has proved not to be in vain.

Occupational health services

As of 1 July 1992, the Occupational Health Services Department took over the industrial health insurance tasks for all staff in the Netherlands from the Industrial Insurance Board for the Banking Industry. All employees were informed in advance about this change. We take the view that the Occupational Health Services Department is in a better position to monitor and follow up staff who report sick. The advantages are that action to reduce absenteeism can be taken sooner and that reintegration will be easier. The conversion from the two former personnel systems to a single system resulted in a new definition of absentee rate. From 1992, a better indication can be obtained of the true loss of working days through sickness. As a result, absentee rate figures for previous years are no longer strictly comparable with the new figures. The 1992 absentee rate was 4.7%.

The Company Social Work Department has developed a uniform approach to the essential task of immediate care for staff affected by bank robberies and for subsequent counselling. Bank robberies and the attendant violence continue to rise. In addition, our branch staff are having to contend with increasingly aggressive behaviour. Several measures have accordingly been implemented to improve the safety of staff and customers alike. For branch management and counter staff, for instance, we have developed a special training programme aimed at reducing risks and minimising the psychological damage caused by aggressive behaviour and violence. Initial experience with these courses has been encouraging.

Training

The Senior Executive Programmes arranged in conjunction with INSEAD, Fontainebleau, were concluded in the first half of the year. Approximately 220 senior managers took part in these programmes, which concentrated on the development of the new bank as a joint effort. Programmes for other groups of managers have also been developed and implemented, including the Management Integration Seminar and, specifically for the Domestic Division, the Regional and District *Management Team training courses*. In the closing months of 1992, a new series of management programmes was started.

To ensure a constant supply of highly qualified staff from Amsterdam, 96 graduates, of whom one third were women, were taken on in 1992. In addition, seven training groups for vocational school leavers were started, in which 120 branch network trainees and 21 head office trainees participated. Over 40% were women. The management training courses for graduates and vocational school leavers are now fully operational. Nearly all our training courses underwent revision to reflect developments in a specific specialist area or the post-merger situation. A great deal of attention is devoted to the planning of staff training, taking into account the implementation date of new systems at branches, for example.

Equal opportunities

As a follow-up to past activities, equal opportunities policy was reformulated in 1992. At the heart of this policy lie efforts to encourage the recruitment and promotion of more women to middle and sen-

ior management positions. A detailed plan of action was drawn up in 1992 and will be implemented in 1993.

Staffing level

The effective staffing level in the domestic network showed a net decline of 817 man-years in 1992.

External recruitment	+	2,297
Natural wastage	-	2,576
Other movements*	-	538
		- 817

* Net effect of changes in working hours, disablement, parental leave, etc.

The effective staffing level in the international network showed a net increase of 3,023 man-years in 1992.

The full-time equivalent workforce of ABN AMRO Bank (excluding Mees Pierson and Lease Plan Holding) as at 1 January was made up as follows:

	1993	1992
Total	50,060	47,854
Domestic network	31,214	32,031
International network	18,846	15,823

Personnel international network

A large number of staff is employed outside the Netherlands. Because of their remoteness from Amsterdam, they need special attention. A great deal of effort is being spent on promoting communication, through such media as the staff journal *Banker's World*, which appears eight times a year, and the company video *Global News*, which comes out four times a year. The basic conditions of employment and benefits are primarily the responsibility of the country manager.

It is company policy to attract high-calibre staff and to offer them excellent remuneration. An extensive range of training courses is available. Many courses stress the aspect of international cooperation (networking). Outside the Netherlands, too,

the recruitment and training of graduates for local management positions is increasing. As a major bank with establishments worldwide, we received many applications for expatriate jobs. Thanks to a strict selection procedure we are able to recruit highly qualified expatriates. We are increasingly aiming to give our future senior management an international profile. One of our management development programmes provides for exchanges between the bank's domestic and international networks.

The number of international transfers again increased in 1992. This process contributes to the further internationalisation of our management.

	1992	1991
Career expatriates:		
- Dutch nationality	170	176
- non-Dutch nationality	31	23
Temporary expatriates:		
- Dutch nationality	133	141
- non-Dutch nationality	37	38
Transfers	120	120

Automation

The integration of the domestic branch network demanded a major effort on the part of the Automation Division. This included the conversion of files of the two banks to new ABN AMRO files and the implementation of new ABN AMRO application systems for the integrated branches. The actual integration was started in 1992, almost exactly on the date planned in 1990. As mentioned earlier, the integration process is due to be completed by the beginning of 1995. Until that date, the computer centres will have to continue operating three sets of application systems: the new ones, as well as the old ABN and AMRO systems for branches which have not been integrated yet. The integration of the automated systems goes beyond the implementation of a new set of application systems. For instance, the first phase of a process aimed at standardising systems software at the computer centres was also concluded. A great deal

of work needed to ensure the smooth progress of the integration activities was also performed at the local branches, in addition to the central effort. Plans are being drawn up for the installation of more uniform hardware and software in due course, both in the branch network and at head office. In the years ahead, the existing hardware will gradually be replaced by new machines.

In accordance with the decision taken in 1991, the central data processing activities of the domestic network are being concentrated at the large computer centres in the Amstelveen area. To this end, the centres have been linked by means of an optical fibre cable with an extremely high capacity of one billion characters a second. This enables central data processing on mainframe computers at two locations as if all the equipment were installed at a single location. The Breda computer centre will continue in operation for the time being as an output and distribution centre.

Among the large number of improved and new applications which were implemented, the pricing system for business and personal domestic payment services is of particular interest. An Account Info Line allowing customers to check balances and transactions over the telephone has been introduced as a related project. The electronic banking systems of the two banks were merged.

Following pilot installation in Greece, the software package SCORE, which was developed in-house, was also installed in Hong Kong in 1992. The package is intended to replace the existing automated systems for bank transactions at the majority of our international network branches. The integrated real-time processing which the new system provides will represent a significant improvement in the supply of information to our international network. And since considerable operational improvements can be achieved following implementation of the package, a great deal of attention will also have to be devoted to the organisational aspects as the system becomes more widely used.

In recent years, new products have been developed within the Investment Banking & Global Clients Division, especially for the Treasury Department. These products have separate administrative systems. The planned implementation of a single new package provides the opportunity for

combining a number of these applications. This will benefit back-office efficiency and bring about a further improvement in risk management.

Subsidiaries

Mees and Pierson to merge

On 2 November 1992, the two wholly-owned subsidiaries Bank Mees & Hope and Pierson, Heldring & Pierson announced plans for a full merger on the basis of equality. The new bank will operate under the name Mees Pierson N.V. The aim is to achieve full integration of the two banks, to be formalised by a legal merger in the first half of 1993. As an intermediate holding company owning the shares of the two banks was set up prior to 1 January 1993, the banks will be publishing a joint annual report for 1992.

The merger of the two banks has been prompted by the developments on the financial markets, with increasingly intensified competition in most areas of banking. As a result, incomes are depressed whereas costs are rising sharply, especially for information systems. The merger of the two banks should contribute to growth in the volume of business at an earlier stage and to a substantial reduction in costs.

The new bank will be a merchant bank offering a package of specialised services and products aimed at a selection of customer groups with international operations. These target groups are medium-sized and large corporations, institutional investors, high net worth individuals and professional dealers in commodities and financial instruments. It is Mees Pierson's intention to develop into a leading European merchant bank. Lending activities will be concentrated in specialised fields.

The character of the new bank is less in keeping with the activities of Lease Plan Holding, a wholly-owned subsidiary of Bank Mees & Hope. With the agreement of the company's management, the Lease Plan shares were accordingly transferred to ABN AMRO Bank N.V. at the end of 1992.

For ABN AMRO Bank, the merger gives these two specialised subsidiaries a clearer identity within the group. In contrast to the new merchant bank, ABN AMRO Bank, with its universal character,

offers a broad range of services to a large group of customers. Mees Pierson will operate independently of ABN AMRO Bank but is to continue meeting clear financial targets.

For further particulars, reference is made to the separate annual report published by this subsidiary.

Development of the consolidated balance sheet and operating result of ABN AMRO Holding N.V.

Consolidated balance sheet

Total assets as at 31 December 1992 amounted to NLG 460.3 billion, representing a growth of NLG 45.2 billion or 10.9% compared with year-end 1991. The exchange rates of the major currencies at year-end 1992 differed from those at year-end 1991. The impact on total assets was NLG 3.9 billion. The effect of including Talman and Hoare Govett in the consolidation in 1992 was NLG 12.7 billion. The remaining growth of NLG 28.6 billion was achieved equally by the domestic and international networks. Taking into account exchange rate differences and the consolidations referred to above, the international network recorded an increase of NLG 28.3 billion or 19.8%. The domestic network, including Netherlands-based Eurocurrency business, saw a growth of NLG 16.9 billion or 6.2%.

The capital ratio – group equity and subordinated loans as a percentage of total assets – dropped slightly from 6.01% in 1991 to 5.88% in 1992.

Lending rose by NLG 24.4 billion or 10.0% to NLG 268.1 billion. Public sector lending was up by NLG 5.5 billion or 16.5% at NLG 38.9 billion while private sector lending increased by NLG 18.9 billion or 9.0% to NLG 229.2 billion. Funds entrusted to the bank (Savings accounts, Deposits and Creditors) rose by NLG 26.7 billion or 12.1% to NLG 247.7 billion. The item Banks on the assets side, which consists primarily of interbank Eurocurrency business, grew by NLG 6.4 billion. The relative importance of this item fell from 26% in 1991 to 25% of total assets.

The graph on page 42 shows the geographical analysis of total assets. The international network's share at year-end 1992 was NLG 171.4 billion or 37% compared with NLG 143.1 billion or 34% at the end of 1991. The growth in total assets was achieved almost entirely in North America (NLG 20.3 billion, of which NLG 9.4 billion related to the acquisition of Talman) and Europe (NLG 7.0 billion, of which NLG 3.3 billion related to the acquisition of Hoare Govett).

Group equity and subordinated loans

Group equity and subordinated loans as at year-end 1992 amounted to NLG 27.1 billion, up NLG 2.2 billion or 8.8% on 1991. Movements were as follows:

(in millions of guilders)	1992	1991
Shareholders' equity:		
Balance as at 1 January	15,348	14,408
Issue and conversion of ordinary shares	5	15
Exercised option rights and conversion	104	70
Interim stock dividend for current year	234	233
Final stock dividend for previous year	225	270
Goodwill	(573)	(107)
Retained profit	716	608
Other movements (net)	15	(149)
Balance as at 31 December	16,074	15,348
Third-party interests	987	634
Group equity	17,061	15,982
Subordinated loans	9,997	8,951
Group equity and subordinated loans	27,058	24,933
Capital ratio	5.88%	6.01%

Group equity and subordinated loans plus the Provision for general contingencies comfortably meet the capital adequacy standards of the supervisory authorities.

Development of main groups of balance sheet items (in billions of guilders)

			92-on-91 change		% of total	
	1992	1991	in NLG	in %	1992	1991
Liquid assets and investments	71.3	57.1	14.2	24.9	15	13
Banks	113.3	106.9	6.4	6.0	25	26
Public sector lending	38.9	33.4	5.5	16.5	8	8
Private sector lending	229.2	210.3	18.9	9.0	50	51
Total lending	268.1	243.7	24.4	10.0	58	59
Other assets	7.6	7.4	0.2	2.7	2	2
Total assets	460.3	415.1	45.2	10.9	100	100
Group equity and subordinated loans	27.1	24.9	2.2	8.8	6	6
Debt securities and non-subordinated loans	50.2	50.3	(0.1)	(0.2)	11	12
Funds entrusted	247.7	221.0	26.7	12.1	54	53
Banks and other liabilities	135.3	118.9	16.4	13.8	29	29
Total liabilities	460.3	415.1	45.2	10.9	100	100

Main groups of balance sheet items analysed by domestic and international network (in billions of guilders)

	Netherlands		92-on-91 change		International		92-on-91 change	
	1992	1991	in NLG	in %	1992	1991	in NLG	in %
Liquid assets and investments	37.9	32.3	5.6	17.3	33.4	24.8	8.6	34.7
Banks	81.7	80.9	0.8	1.0	31.6	26.0	5.6	21.5
Public sector lending	32.9	29.5	3.4	11.5	6.0	3.9	2.1	53.8
Private sector lending	130.5	122.9	7.6	6.2	98.7	87.4	11.3	12.9
Total lending	163.4	152.4	11.0	7.2	104.7	91.3	13.4	14.7
Debt securities and non-subordinated loans	25.7	29.9	(4.2)	(14.0)	24.5	20.4	4.1	20.1
Savings accounts	57.0	55.8	1.2	2.2	17.5	9.4	8.1	86.2
Deposits	52.9	46.5	6.4	13.8	36.6	33.5	3.1	9.3
Creditors	60.9	56.3	4.6	8.2	22.8	19.5	3.3	16.9
Funds entrusted	170.8	158.6	12.2	7.7	76.9	62.4	14.5	23.2
Banks and other liabilities	72.9	65.3	7.6	11.6	62.4	53.6	8.8	16.4

Shareholders' equity

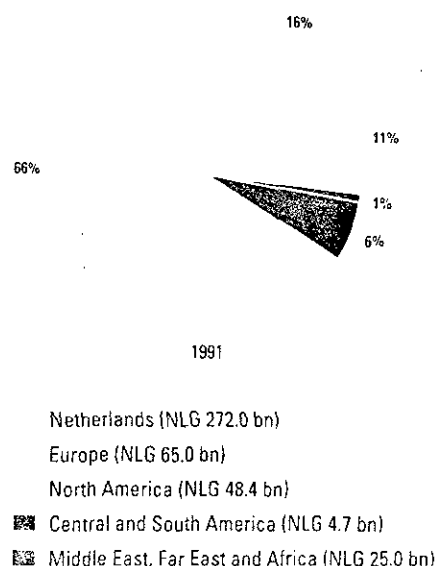
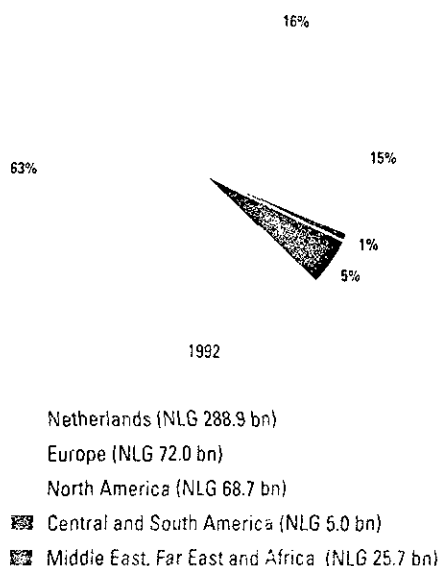
The principal factors contributing to the increase of more than NLG 700 million were the addition of profit to reserves and the option of shareholders for stock rather than taking dividends in cash. The goodwill charge, being the difference between the cost and net asset value of subsidiaries and associated companies, related primarily to the acquisition of Talman and the extension of the interest in

CM Capital Markets, Spain. Finally, the other movements were in the revaluation and exchange differences reserves.

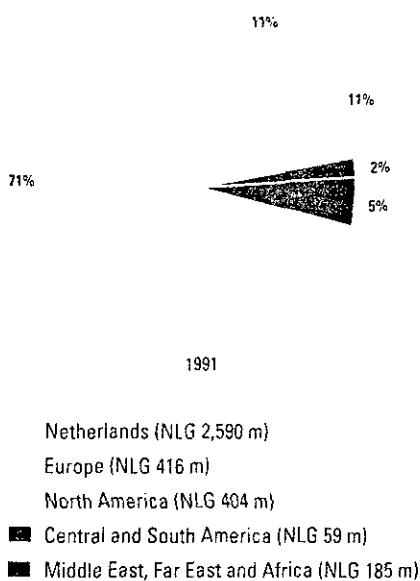
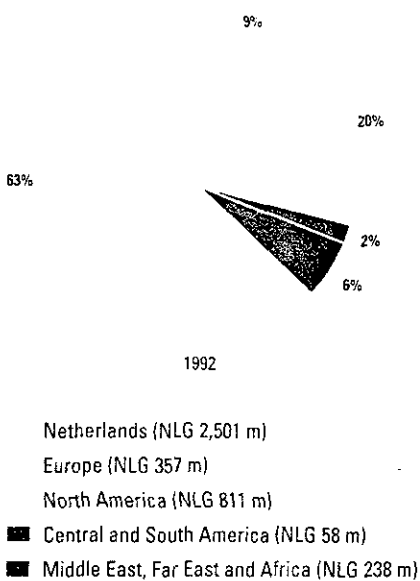
Third-party interests

The increase of NLG 353 million resulted mainly from the issue of preferred stock in the United States to partially finance the acquisition of Talman and the reinforcement of its equity base.

Geographical analysis of total assets



Geographical analysis of gross result



Subordinated loans

The subordinated borrowed capital increased by over NLG 1.0 billion as a result of the issue of debenture stock of NLG 0.5 billion by ABN AMRO Holding and NLG 0.8 billion by ABN AMRO Bank. Repayments amounted to NLG 0.4 billion. The subordinated loans in issue are in NLG and other currencies, chiefly USD. The aim is to strengthen equity in USD with a view to the capital adequacy requirements relating to USD lending.

Debt securities and non-subordinated loans

This item remained virtually unchanged. In the domestic network there was a drop of NLG 4.2 billion in the debenture loan portfolio owing to limited new-issue activity in 1992 and as a result of repayments. The increase in the international network was NLG 4.1 billion, mainly due to certificates of deposit issued by the branches in the United States.

Funds entrusted

Funds entrusted to the bank rose by 12.1% to NLG 247.7 billion. The domestic network saw an increase of NLG 12.2 billion or 7.7%, which includes growth in deposits by NLG 6.4 billion or 13.8%. Savings were up NLG 1.2 billion or 2.2%. In the international network, funds entrusted were up NLG 14.5 billion or 23.2%. Growth was mainly in savings, which increased by NLG 8.1 billion or 86.2%, chiefly as a result of the consolidation of Talman.

Liquid assets and investments

This group of balance sheet items rose by an aggregate NLG 14.2 billion to NLG 71.3 billion, which represents an increase of 24.9%. It includes the items Cash and money at call, Treasury paper and Securities and syndicates, excluding debt securities of a lending nature.

Cash and money at call remained at the year-end 1991 level in the domestic network as well as the international network. Treasury paper, too, hardly differed from the level at the end of 1991. The foreign treasury paper portfolio of the domestic network increased by NLG 2.0 billion, but the international network's portfolio fell by NLG 1.8 billion, mainly due to a reclassification of a number of components to Securities and syndicates.

The item Securities and syndicates, excluding debt

securities referred to above, rose strongly by NLG 14.1 billion or 44.5%. The domestic network accounted for NLG 3.6 billion of this growth, primarily due to an extension of the bond investment portfolio and trading portfolio. The international network achieved an increase of NLG 10.5 billion, with Talman and Hoare Govett accounting for NLG 3.6 billion. The remaining growth of NLG 6.9 billion was achieved mainly by LaSalle (NLG 3.4 billion as a result of the reclassification mentioned earlier and the extension of the investment portfolio) and a number of other American subsidiaries (NLG 2.3 billion as a result of the extension of the investment portfolio).

Lending

Lending increased by NLG 24.4 billion or 10.0% to NLG 268.1 billion. Public sector lending was up NLG 5.5 billion or 16.5% and private sector lending rose by NLG 18.9 billion or 9.0%.

The domestic network recorded growth of NLG 11.0 billion or 7.2%. Lending to the Dutch government and lower-tier authorities increased by NLG 3.4 billion or 11.5%. Private sector lending was up NLG 7.6 billion or 6.2%, with both business customers (primarily overdrafts and short-term loans) and personal customers contributing to this increase. Home mortgages (including mortgages

Geographical analysis of lending

(in billions of guilders)

	1992	1991	92-on-91 change	
			in NLG	in %
Domestic network	163.4	152.4	11.0	7.2
International network				
Europe	45.0	43.4	1.6	3.7
North America	41.8	30.1	11.7	38.9
Central and South America	3.1	2.8	0.3	10.7
Middle East, Far East and Africa	14.8	15.0	(0.2)	(1.3)
	104.7	91.3	13.4	14.7
Total	268.1	243.7	24.4	10.0

with municipal guarantee) totalled NLG 32.0 billion as at year-end 1992 (1991: NLG 29.7 billion).

In the international network, lending was NLG 13.4 billion or 14.7% higher. Public sector lending increased by NLG 2.1 billion or 53.8% and private sector lending by NLG 11.3 billion or 12.9%. Eliminating the consolidation of the new subsidiaries Talman and Hoare Govett, which contributed NLG 8.7 billion to the lending portfolio, growth in lending abroad was 5.1%. North America realised an increase in lending of NLG 11.7 billion or 38.9%, of which NLG 5.9 billion related to the acquisition of Talman. Lending in Europe rose by NLG 1.8 billion or 3.7%. Allowing, however, for the consolidation of Hoare Govett (NLG 2.8 billion, exclusively advances against treasury paper and/or securities), there was a decline of NLG 1.2 billion. In the other regions lending was almost unchanged at the end-1991 level.

Consolidated results

Net profit

Net profit improved by 9.6% to NLG 1,684 million compared with NLG 1,536 million in 1991. After deduction of unchanged preference share dividend of NLG 172 million, net profit available for distribution to holders of ordinary shares was up by 10.9%. However, with the increase in ordinary share capital due to stock dividends and exercised option rights, ordinary shares qualifying fully for dividend grew by 5.0% to 274.4 million. Taking both components into account, net profit per share showed an improvement of 5.6% to NLG 5.51.

Gross result

The gross result increased by 8.5% to NLG 3,965 million. Both income and expenses were up 8.5%. These percentage increases were influenced by the consolidation of Talman and Hoare Govett.

The share of the domestic network in the gross result was NLG 2,501 million or 63% against NLG 2,590 million or 71% in 1991, which represents a decline of NLG 89 million or 3.4%. In 1991, however, significant book profits were realised on the sale of the interests in R. Mees & Zoonen and Hudig-Langeveldt. Eliminating these profits, the gross result showed a satisfying improvement.

Interest income grew by 4.9% as a result of volume growth in guilder loans and unchanged interest margins, as well as higher revenues from Eurocurrency business. The 7.3% improvement in commission income resulted mainly from higher revenues from payment services following the introduction of a pricing system for business customers. Furthermore, commission income from securities transactions, portfolio management and trust services also increased while, by contrast, insurance commissions fell slightly. The result on securities trading was significantly lower. This development, together with the 1991 book profits referred to above, produced a sharp decline in other income by 34.9%, despite a strong increase in income from foreign exchange dealing.

Employment costs rose by a modest 2.1%. The effect of salary increases was almost entirely offset by the decline of 787 in the number of employees and the replacement of older staff by younger employees. Since the merger, the work force in the domestic network has fallen by 2,230. Other expenses, together with depreciation, rose by 5.1%, partly due to higher automation costs and office overheads in connection with the integration of head office departments and branches. The merger costs incurred in 1992 were charged to the result.

The share of the international network in the gross result was NLG 1,464 million or 37% compared with NLG 1,064 million or 29% in 1991. Income rose by 22.5% and costs by 17.1%. Both interest income and commission and other income contributed to the improvement in income. The consolidation of Talman, Hoare Govett and CM Capital Markets contributed NLG 106 million to the improvement in the gross result of NLG 400 million or 37.6%. Lower exchange rates on average, with the US dollar falling from NLG 1.88 to NLG 1.76, had a negative effect of NLG 77 million on the gross result. The work force rose by 3,679, partly due to the above-mentioned acquisitions.

In North America the gross result was up NLG 407 million or 101% at NLG 811 million. Eliminating the acquisition of Talman, the gross result for the region was up NLG 274 million or 67.8%. Both European American Bank and our own local branches contributed significantly to the improvement.

Consolidated results (in millions of guilders)

	1992	1991	92-on-91 change		% of total	
			in NLG	in %	1992	1991
Income						
Interest	8,150	7,348	802	10.9	66	65
Commission	3,134	2,778	356	12.8	26	25
Other income	999	1,193	(194)	(16.3)	8	10
	12,283	11,319	964	8.5	100	100
Expenses						
Salaries and pensions and social insurance charges	4,921	4,584	337	7.4	59	60
Other expenses	2,791	2,490	301	12.1	34	33
Depreciation of fixed assets	606	591	15	2.5	7	7
	8,318	7,665	653	8.5	100	100
Gross result	3,965	3,654	311	8.5		
Addition to Provision for general contingencies	1,400	1,320	80	6.1		
Profit before tax	2,565	2,334	231	9.9		
Taxation	847	774	73	9.4		
Group profit	1,718	1,560	158	10.1		
Third-party interests	34	24	10			
Net profit	1,684	1,536	148	9.6		
Profit appropriation:						
Preference share dividend	172	172				
Addition to Reserves	716	608				
Ordinary share dividend	796	756				
	1,684	1,536				

Principal profit ratios

	1992	1991
Profit per ordinary share of NLG 5 (in guilders)	5.51	5.22
Return on average shareholders' equity in %	11.1	10.4
Income/expenses ratio	1.48	1.48

Commission income

(consolidated figures in millions of guilders)

	1992	1991*	92-on-91 change	
			in NLG	in %
Payments	1,093	944	149	15.8
Insurance	277	286	(9)	(3.1)
Securities	1,224	1,061	163	15.4
Other	540	487	53	10.9
	3,134	2,778	356	12.8

Other income

(consolidated figures in millions of guilders)

	1992	1991*	92-on-91 change	
			in NLG	in %
Foreign exchange dealing	597	416	181	43.5
Securities trading	88	196	(108)	(55.1)
Project development	62	71	(9)	(12.7)
Non-consolidated subsidiaries and associated companies, miscellaneous	252	510	(258)	(50.6)
	999	1,193	(194)	(16.3)

*The figures for 1991 have been adjusted for comparison purposes.

Capital expenditure

(consolidated figures in millions of guilders)

	1992	1991
Property		
♦ for use by the bank	287	174
♦ not for use by the bank	318	177
Computer installations	357	396
Other	114	149
	1,076	896

In the Middle East, Far East and Africa, the gross result turned out NLG 53 million or 28.6% higher, with results showing particular gains in the United Arab Emirates, Taiwan and Singapore.

The gross result in Europe turned out NLG 59 million or 14.2% lower. The French subsidiary Banque de Neuflyze, Schlumberger, Mallet recorded a lower result due to the slump in the property market and the resultant narrowing of the interest margin. By contrast, the securities subsidiary Massonauud Fontenay Kervern reported a good improvement in result. In Germany the gross result fell, mainly due to the increased costs involved in the integration of our subsidiary. Results in Sweden, Luxembourg and Austria showed significant improvement. In the United Kingdom, our branches and our securities subsidiary ABN AMRO Securities (UK) achieved better results. The new acquisition Hoare Govett still returned a negative result.

The gross result in Central and South America was almost unchanged.

Addition to the Provision for general contingencies

The addition to the Provision for general contingencies was stepped up by NLG 80 million or 6.1% to NLG 1,400 million. This increase related to growth in lending and the deteriorating economies in a number of countries where the bank is active. Specific bad debt provisions in 1992 were slightly lower than in 1991. There was an increase in the domestic network and a reduction in the international network. Overall, provisions for country risks did not have to be increased.

Taxation

The tax burden was almost unchanged at 33.0% (1991: 33.2%). In the Netherlands the tax burden increased because a smaller proportion of income qualified for participation exemption. In a number of foreign countries, however, the tax burden diminished.

Third-party interests

Third-party interests rose by NLG 10 million, primarily owing to higher preference share dividend paid by the US companies.

Profit appropriation

Net profit amounts to NLG 1,684 million. Of this NLG 172 million will be paid to holders of preference shares. With the agreement of the Supervisory Board, NLG 716 million of the remaining amount will be added to Reserves. This leaves NLG 796 million for distribution to holders of ordinary shares. As an interim dividend of NLG 1.40 was made payable on 14 September 1992, the final dividend will be NLG 1.50. The final dividend may be taken either *entirely in cash or partly in cash* together with ordinary shares in the ratio of one ordinary share for every fifty ordinary shares held. The new shares will qualify for dividend from 1 January 1993.

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Accounting policies

Consolidation

The financial statements represent the integral consolidation of the assets, liabilities, income and expenses of ABN AMRO Holding N.V. and its group companies. Third-party interests in the equity and results of group companies are stated separately.

Valuation and determination of results

Assets and liabilities

Except where otherwise stated, assets and liabilities are included at face value. Assets are shown less any diminution in value deemed necessary. In the case of uncollectable debts, such diminution in value is generally determined per item. A diminution in value is also applied for debts of a number of countries with payment problems.

With the exception of bonds and shares in the securities portfolio, securities are included at either purchase price or discounted value on issue plus accrued interest. Insofar as added to the account itself, accrued interest is included in Savings accounts. Other prepayments and accruals are included in Debtors and Creditors, respectively.

Currency translation

Assets and liabilities denominated in foreign currencies and the relevant forward contracts and currency swap operations are translated into guilders at the spot exchange rates. Other forward contracts in foreign currencies are stated at market value for their remaining terms. Differences between this value and the contract rate are netted off and included in Debtors. Results denominated in foreign currencies are translated at the rates prevailing on the transaction date. Results of foreign branches, subsidiaries and associated companies, apart from those in countries with an exceptionally high rate of inflation, are translated at the rates prevailing at the end of the month in which the results are recognised. The results of establishments in hyperinflation countries are translated at the rates prevailing on balance sheet date.

Investment and trading portfolios

Bonds forming part of the investment portfolios are stated at redemption value. Shares held in the investment portfolios are included at market value; changes in value are credited or charged to Shareholders' equity insofar as the revaluation reserve in question is adequate.

Any premiums and discounts in respect of investments in fixed-interest debt securities and loans are included in Debtors and Creditors, respectively, and are taken to the profit and loss account over the remaining terms of the items to which they relate.

Securities held in the trading portfolios are stated at market value. Differences caused by this method of valuation are taken to the profit and loss account in Other income. Own debentures acquired for resale are stated at the lower of market value and cost.

Other financial instruments

Stock, currency and other options as well as interest rate contracts like interest rate swaps and future rate agreements are carried at market value. Where these instruments are used in conjunction with particular assets or liabilities, they are stated in relation to the item concerned.

Subsidiaries and associated companies

Where the company has a significant influence on commercial and financial policy, valuation of subsidiaries and associated companies is on the basis of their net asset value, determined as far as possible in accordance with the policies applied in these financial statements. Differences caused by this method of valuation – other than those movements which, in accordance with the adopted policies, are accounted for in equity – are taken to the profit and loss account in Other income.

Other subsidiaries and associated companies are shown at current value, i.e. the estimated proceeds from disposal. The differences due to this method of valuation are accounted for in Shareholders' equity.

Goodwill paid on the acquisition of subsidiaries and associated companies is charged to Shareholders' equity in the year of acquisition. Equity participations, i.e. interests acquired temporarily as part of investment banking activities, are stated at the lower of cost and market value.

Property and equipment

◆ a Property for use by the bank

The bank premises, including land, are stated at current value based on replacement cost as determined by regular professional valuations. The buildings and the fixtures and fittings are fully depreciated by the straight-line method over their estimated useful life with a maximum of fifty years. Movements in value, less taxation on them, are credited or charged to Shareholders' equity. Capital expenditure on rented premises is capitalised and likewise depreciated on a straight-line basis, taking into account the term of the lease.

◆ b Property not for use by the bank

Properties held for sale are stated at the lower of cost less depreciation and the estimated proceeds from sale. Included in the valuation of development projects is the proportionally capitalised development expenditure and interest during construction.

◆ c Equipment and computers

Equipment, computer installations and software bought from third parties are stated at cost less straight-line depreciation over the estimated useful life.

Provisions

Provisions are included in Creditors. Provisions for company pension schemes, non-activity schemes and deferred taxation are stated at discounted value as at balance sheet date.

◆ a Provision for general contingencies

This provision relates to the general risks inherent in lending and other banking activities of that nature engaged in directly or through subsidiaries and associated companies. The provision is mainly charged with diminutions in value of receivables. The balance sheet items concerned are reduced by the amounts of these diminutions.

The addition to the Provision for general contingencies from the profit and loss account is based

on the amount, composition and risk profile of risk-bearing assets and contingent liabilities. Each year, the amount added to the provision is compared with the charge against it and reviewed in the light of risk expectations.

◆ b Provisions for pensions

The pension rights of staff employed in the Netherlands and of expatriate staff are insured chiefly with the ABN AMRO pension fund. These rights are determined on the basis of final pay and an actuarial interest rate of 4%.

When the ABN and AMRO pension funds were merged in 1992, the pension rights and the basis taken for the calculation of these rights were harmonised. For members of the ABN AMRO pension fund in active employment, the commitments are funded by an average contribution calculated on the total wages of these members. The amount of the contribution takes account of increases in pension rights in line with the development of wages and inflation as well as the return achieved by the pension fund in excess of the actuarial interest rate.

For the majority of staff employed abroad, pension or other retirement schemes have been established in accordance with the regulations and practices of the countries concerned. Most of these schemes are insured with underwriters. The premiums paid are charged to the result each year. For the schemes not insured with underwriters, provisions are made either on the basis of actuarial calculations, applying the usual local interest rate, or at the face value of the benefits anticipated where these benefits are payable directly upon severance. The annual addition to this provision, charged to the result, is determined on the basis of the rights which have arisen in the year under review.

◆ c Provisions for non-activity schemes

These provisions are formed for voluntary early retirement of employees in the Netherlands, taken or opted for as at year-end, as well as for benefits payable for complete disablement.

◆ d Provision for deferred taxation

This provision relates to future taxation liabilities resulting from the difference between the book value and fiscal value of certain assets and liabilities.

◆ e Provision for insurance funds

The life assurance commitments are calculated according to actuarial principles.

Determination of results

The presentation of a number of profit and loss account items has already been covered above.

Interest, which includes the results on interest rate contracts and commission income from lending, is recognised in the year to which it relates, unless considered uncollectable.

Exchange differences on currency positions are shown as Other income, with the exception of:

- ◆ *premiums and discounts in respect of forward contracts and currency swaps in connection with funding and lending.* These are recognised as Interest over the terms of the contracts concerned;
- ◆ *translation differences on the capital invested in foreign branches, subsidiaries and associated companies, including results retained by them, apart from investments in countries with an exceptionally high rate of inflation; these differences, together with the results of related hedging operations, are included in Shareholders' equity after allowing for taxation effects.*

Premiums and discounts on the premature sale of assets held in the investment portfolio (treasury paper, bonds and private loans to public authorities) in connection with swap transactions are included in Interest.

Other commissions and costs are attributed to the year to which they relate.

In calculating the tax burden, the amount of the addition to the Provision for general contingencies is taken as a charge.

Reclassification

The definition of savings, as applied by Dutch banks, was altered in 1992. As a result, all personal customers' deposits are now classed as Savings accounts. In the comparative figures for 1991, amounts totalling NLG 20.6 billion have accordingly been transferred from the items Debt securities and non-subordinated loans and Deposits to the item Savings accounts.

Consolidated balance sheet as at 31 December 1992
after profit appropriation (in millions of guilders)

Assets

	1992	1991
Cash and money at call	14,238	14,225
Treasury paper ¹	11,412	11,279
Banks ²	113,277	106,859
Securities and syndicates ³	48,502	34,563
Advances against treasury paper and/or securities	14,742	11,210
Bills receivable	4,586	6,828
Amounts receivable from or guaranteed by public authorities ⁴	38,930	33,371
Debtors ⁵	206,997	189,290
Investments in and receivables from subsidiaries and associated companies ⁶	1,641	1,826
Property and equipment ⁷	5,982	5,639
	460,307	415,090

Numbers stated against items refer to the notes.

Liabilities

	1992	1991
Share capital, issued and paid-up	3,201	3,134
Reserves	12,873	12,214
Shareholders' equity ⁹	16,074	15,348
Third-party interests ¹⁰	987	634
Group equity	17,061	15,982
Subordinated loans ¹¹	9,997	8,951
Group equity and subordinated loans	27,058	24,933
Debt securities and non-subordinated loans ¹²	50,232	50,252
Savings accounts	74,502	65,183
Deposits	89,495	80,057
Creditors ¹³	83,673	75,814
Banks ¹⁴	101,397	92,790
Other funds borrowed	33,950	26,061
	460,307	415,090
Commitments with respect to guarantees granted	35,761	30,951
Commitments with respect to irrevocable letters of credit	6,533	6,163
Commitments with respect to recourse risks arising from discounted bills	838	749
Commitments with respect to irrevocable facilities	51,346	51,006

Consolidated profit and loss account for the year 1992 (in millions of guilders)

	1992	1991
Income		
Interest 17	8,150	7,348
Commission 18	3,134	2,778
Other income 19	999	1,193
	12,283	11,319
Expenses		
Salaries and pension and social insurance charges 20	4,921	4,584
Other expenses 21	2,791	2,490
Depreciation of fixed assets 22	606	591
	8,318	7,665
Gross result	3,965	3,654
Addition to Provision for general contingencies	1,400	1,320
Profit before tax	2,565	2,334
Taxation 23	847	774
Group profit	1,718	1,560
Third-party interests	34	24
Net profit	1,684	1,536
Profit appropriation		
	1992	1991
Preference share dividend	172	172
Addition to Reserves	716	608
Ordinary share dividend	796	756
	1,684	1,536

Numbers stated against items refer to the notes.

Notes to the consolidated balance sheet

unless otherwise stated, all amounts are in millions of guilders

1 Treasury paper

	1992	1991
This item only comprises foreign treasury paper		
Analysis according to remaining term:		
♦ due in 1993 (1992)	9,852	7,702
♦ due in 1994 (1993) and subsequent years	1,560	3,577
	11,412	11,279

2 Banks

	1992	1991
Demand deposits	11,012	14,933
Time deposits	102,265	91,926
	113,277	106,859
Also included are amounts receivable from non-consolidated subsidiaries and associated companies in connection with interbank transactions	121	77

3 Securities and syndicates

	1992	1991
Listed:		
♦ bonds issued by Dutch public authorities	8,685	7,393
♦ bonds guaranteed by Dutch public authorities	198	129
♦ other bonds and debt securities	28,133	17,001
♦ shares	2,014	1,705
	39,030	26,228
Unlisted:		
♦ other bonds and debt securities	8,813	7,643
♦ shares	659	692
	9,472	8,335
	48,502	34,563

	1992	1991
Analysis:		
◆ securities lending account	1,118	1,012
◆ investment portfolio	38,333	25,271
◆ trading portfolio	4,766	4,329
◆ other debt securities (banks)	1,427	967
◆ other debt securities (lending)	2,858	2,984
	48,502	34,563
Securities issued by ABN AMRO and group companies	415	535

As a result of securities lending contracts and transactions involving repurchase commitments, insofar as these are not included in the securities lending account, third parties hold legal title to an amount of NLG 910 million (NLG 245 million). The group has dealt in its own shares exclusively within the context of its stockbroking activities.

4 Amounts receivable from or guaranteed by public authorities

	1992	1991
Amounts receivable from or guaranteed by Dutch public authorities	27,821	23,110
Amounts receivable from or guaranteed by foreign public authorities	11,109	10,261
	38,930	33,371

5 Debtors

	1992	1991
Analysis according to:		
a. security:		
Loans secured by mortgage	52,841	43,019
Debtors guaranteed by credit institutions	1,953	2,879
Acceptance credits	2,606	2,507
Other loans	135,106	129,373
Receivables and prepayments	14,491	11,512
	206,997	189,290

	1992	1991
b. average original term:		
Less than two years	120,477	113,763
Two years and more	86,520	75,527
	206,997	189,290
c. sectors of industry: (in billions of guilders)		
Agriculture, horticulture, forestry and fisheries	3	3
Manufacturing industry	33	31
Service industry	85	80
Financial institutions	23	21
	144	135
Other receivables/private individuals etc.	48	42
Receivables and prepayments	15	12
	207	189

6 Investments in and receivables from subsidiaries and associated companies

	1992	1991		
Investments	998	1,200		
Receivables	352	394		
Equity participations	291	232		
	1,641	1,826		
Movements in balance sheet value:	Total	Invest- ments	Receivables	Equity participations
Opening balance	1,826	1,200	394	232
Acquisitions/increases	218	40	94	84
Disposals/reductions	(411)	(255)	(139)	(17)
Other movements (net)	8	13	3	(8)
Closing balance	1,641	998	352	291

Balances arising from ordinary interbank transactions are included in Banks.
A list of major subsidiaries and associated companies is shown on pages 71
and 72.

7 Property and equipment

	1992	1991
Property for use by the bank	3,985	3,835
Property not for use by the bank	801	625
Equipment and computers	1,196	1,179
	5,982	5,639

Movements in book value:	Total	Property		
		For use by the bank	Not for use by the bank	Equipment and computers
Opening balance	5,639	3,835	625	1,179
Investments	1,052	279	302	471
Sales	(151)	(28)	(114)	(9)
Other movements (net, including consolidation and deconsolidation)	33	19	(11)	25
Revaluation	15	16	(1)	
Depreciation	(606)	(136)		(470)
	343	150	176	17
Accumulated amounts				
Replacement cost	9,350	6,009	836	2,505
Depreciation	3,368	2,024	35	1,309
Closing balance	5,982	3,985	801	1,196
Including revaluation amounting to	632	632		

Legal title to property and computers totalling NLG 193 million is held by third parties.

8 Security provided

As a consequence of security provided for money market operations and foreign exchange and options transactions, as well as guarantees issued on behalf of customers, the following assets are not freely disposable:

	1992	1991
Cash and money at call	722	
Treasury paper	1,984	2,297
Securities	2,230	2,601
Receivables	476	2,816

The associated commitments are included in Debt securities and non-subordinated loans, Banks, Other funds borrowed and Guarantees. As a result of monetary supervision restrictions, an amount of NLG 4.5 billion (1991: nil) of Cash and money at call is not freely disposable either.

9 Shareholders' equity

	1992	1991
Analysis:		
Share capital	3,201	3,134
Reserves	12,873	12,214
Shareholders' equity	16,074	15,348

Movements in Shareholders' equity:	Total	Share capital	Reserves
Opening balance	15,348	3,134	12,214
Stock dividends	459	53	406
Placement	5	1	4
Exercised option rights and conversion	104	13	91
Goodwill	(573)		(573)
Revaluations	6		6
Currency translation differences	9		9
Appropriation from net profit	716		716
	16,074	3,201	12,873

For further information concerning Shareholders' equity, reference is made to the notes to the balance sheet on pages 68 and 69.

Various debenture loans and notes carry conversion rights or option rights in the form of warrants. Ordinary share options have also been granted to employees. As at year-end 1992, these rights amounted to the totals (in thousands of shares), shown in the following analysis and, if fully exercised, would increase the share capital by an amount of NLG 64 million.

Year of expiry	Staff options and convertibles	Warrants	Total	Average exercise price (NLG)
1993	175		175	38.28
1994	39		39	40.01
1995	294		294	32.26
1996	802	6,054	6,856	57.23
1997	5,337		5,337	44.20
	6,647	6,054	12,701	50.86

10 Third-party interests

This comprises the share of third parties in the equity of group companies, including the preferred stock amounting to USD 400 million (USD 215 million) issued by group companies in the United States.

11 Subordinated loans

	1992	1991
Analysis according to remaining term:		
♦ due in 1993 (1992)	372	352
♦ due in 1994 to 1997 (1993 to 1996)	1,455	1,449
♦ due in 1998 (1997) and subsequent years	8,170	7,150
	9,997	8,951

The debentures and loans included in this item are subordinated to all current and future liabilities of the group companies that raised the loans. Premature repayment, in whole or in part, is not permitted, except for five ABN AMRO Bank capital debenture loans totalling NLG 223 million (NLG 268 million).

12 Debt securities and non-subordinated loans

	1992	1991
Analysis:		
Cash notes, savings certificates and bank certificates	12,272	12,002
Certificates of deposit and commercial paper	23,079	20,292
Convertible debenture stock	7	24
Debentures and Euronotes	8,921	11,687
Private loans	5,953	6,247
	50,232	50,252
Repayments due within one year amount to	26,737	24,711

The convertible staff debentures are redeemable in 1993; they may not be repaid prematurely.

13 Creditors

	1992	1991
This item also includes:		
Provision for pension commitments	75	66
Provision for non-activity schemes	263	227
Provision for insurance funds	1,477	774

14 Banks

	1992	1991
Demand deposits	14,326	16,563
Time deposits	87,071	76,227
	101,397	92,790

Liabilities due after more than one year include amounts owed to non-consolidated subsidiaries and associated companies totalling NLG 63 million (NLG 2 million).

15 Analysis of liabilities

according to original term:

(in billions of guilders)

	1992			1991		
	Total	One year or less	More than one year	Total	One year or less	More than one year
Subordinated loans	10		10	9		9
Debt securities and non-subordinated loans	50	20	30	50	18	32
Savings accounts	75	63	12	65	56	9
Deposits	89	83	6	80	74	6
Banks	101	94	7	93	88	5
Other funds borrowed	34	33	1	26	25	1

16 Capital commitments and contingent liabilities

This item includes non-quantified guarantees which have been given for the purposes of our securities custody activities (VABEF), Bankgirocentrale B.V. (the Banks' Clearing Institution), and other interbank bodies, as well as for subsidiaries and associated companies; the collective guarantee scheme of section 44 of the Act on the Supervision of the Credit System is also applicable to our Dutch group companies.

Guarantees have also been provided for a number of group companies in the Netherlands under the provisions of section 2 : 403 of the Netherlands Civil Code.

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

For 1993, investment in buildings and computers and other capital expenditure is estimated at NLG 1,086 million, of which the company is already committed to an amount of NLG 143 million.

Notes to the consolidated profit and loss account

unless otherwise stated, all amounts are in millions of guilders

17 Interest

This item comprises interest income from lending, deposits and investments after deduction of interest payable on funds borrowed by and entrusted to the bank, as well as the results on forward contracts and currency swaps in connection with funding and lending. Also included here is commission income from lending.

18 Commission

This item comprises income from various banking services including domestic and international payments, securities, insurance and other services.

19 Other income

This item comprises the results achieved on foreign exchange dealing and securities trading, the currency translation differences on investments – other than those in tangible fixed assets – in establishments in countries with an exceptionally high rate of inflation, income from property development and the results of non-consolidated companies not already reflected in equity.

20 Salaries and pension and social insurance charges

	1992	1991
Salaries (including bonuses etc.)	3,902	3,668
Pension charges	228	197
Social insurance charges and other employment costs	791	719
	4,921	4,584

The remuneration of present and former members of the Managing Board amounted to NLG 13,340,000 (NLG 15,885,000), and that of present and former members of the Supervisory Board amounted to NLG 1,409,000 (NLG 1,240,000).

	1992	1991
Average number of employees:		
Domestic network	38,204	39,455
International network	20,632	18,011
	58,836	57,466

21 Other expenses

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

22 Depreciation of fixed assets

This item is made up of depreciation of buildings, computers and equipment less investment grants (1992: NLG 54 million; 1991: NLG 62 million).

23 Taxation

The tax burden was almost unchanged at 33.0% (1991: 33.2%). In the Netherlands the tax burden increased because a smaller proportion of income qualified for participation exemption. In a number of foreign countries, however, the tax burden diminished.

Balance sheet as at 31 December 1992 after profit appropriation (in millions of guilders)

Assets

	1992	1991
Cash and money at call ^a	1,075	1,075
Banks ^a	500	220
Securities and syndicates	90	106
Debtors	165	
Investments in and receivables from subsidiaries and associated companies ^b	16,972	16,122
	18,802	17,523

Liabilities

Share capital, issued and paid-up ^c	3,201	3,134
Reserves ^d	12,873	12,214
Shareholders' equity	16,074	15,348
Subordinated loans	1,888	1,382
Shareholders' equity and subordinated loans	17,962	16,730
Deposits ^e	88	100
Creditors	651	693
Banks ^a	101	
	18,802	17,523

Profit and loss account for the year 1992 (in millions of guilders)

	1992	1991
Results of subsidiaries and associated companies after tax ^g	1,624	1,483
Other results after tax	60	53
Net profit	1,684	1,536

Drawn up in accordance with section 2 : 402 of the Netherlands Civil Code.

Letters stated against items refer to the notes.

Notes to the balance sheet and profit and loss account

unless otherwise stated, all amounts are in millions of guilders

a Cash and money at call and Banks

The amounts included in these items represent call loans to and other interbank transactions with group companies.

b Investments in and receivables from subsidiaries and associated companies

Movements in balance sheet value:	Total	Invest-ments	Receiv-ables
Opening balance	16,122	14,740	1,382
Movements (net)	850	812	38
Closing balance	16,972	15,552	1,420

The receivables relate to subordinated loans to ABN AMRO Bank. The list of major subsidiaries and associated companies is shown on pages 71 and 72.

c Share capital

The issued and paid-up share capital is made up of the following numbers of shares, each of NLG 5 nominal value:

♦ priority share	1
♦ ordinary shares	277,740,039
♦ preference shares	362,503,010

Movements in Share capital:	Total	Ordinary shares	Preference shares
Issued share capital as at 1 January	3,134	1,321	1,813
Stock dividends	53	53	
Placement	1	1	
Exercised option rights and conversion	13	13	
Issued share capital as at 31 December	3,201	1,388	1,813

The preference shares are registered shares; the dividend has been fixed at 9.5% and this figure will be recalculated as of 1 January 2001 in the manner stipulated in the articles of association. Various debenture loans and notes of group companies carry conversion rights or option rights in the form of warrants. Ordinary share options have also been granted to employees. An analysis of these rights is included in the notes to the consolidated balance sheet on page 62. If the rights are fully exercised, the share capital will increase by an amount of NLG 64 million.

d Reserves

	1992	1991
Analysis:		
General reserve	9,312	8,800
Share premium reserve	3,343	3,239
Exchange differences reserve	(669)	(678)
Revaluation reserves	554	548
Reserve for undistributable profit of subsidiaries and associated companies	333	305
	12,873	12,214

The Share premium reserve is regarded as paid-up capital for tax purposes.

Movements in Reserves:	General reserve	Share premium reserve	Exchange differences reserve	Revaluation reserves	Reserve for subsidiaries & associated companies
Opening balance	8,800	3,239	(678)	548	305
Stock dividends	398	8			
Placement		4			
Exercised option rights and conversion	(1)	92			
Goodwill	(573)				
Revaluations				6	
Currency translation differences			9		
Retained profits of subsidiaries and associated companies	(28)				28
Appropriation from net profit	716				
Closing balance	9,312	3,343	(669)	554	333

e Deposits

The original term is less than one year.

f Guarantees

Guarantees have been provided for a number of group companies in the Netherlands under the provisions of section 2 : 403 of the Netherlands Civil Code.

Amsterdam, 2 April 1993

Supervisory Board

H.F. van den Hoven, Chairman
J.D. Hooglandt, Vice Chairman
F.H. Fentener van Vlissingen
C.T. van der Molen
J.J.J. van Dijck
W. Dekker
A. Heijn
F.A. Maljers
A.G. Maris
A. Batenburg
Mrs M. Epema-Brugman
H.B. van Liemt
O. Vogelenzang
J.J. Endtz
G. Bresser
G. van Schaik
W. Overmars
R.J. Nelissen

Managing Board

R. Hazelhoff, Chairman
P.J. Kalff
H.H. Foppe
M.J. Drabbe
Th.A.J. Meys
R. van Ommeren
L.D. de Bièvre
P. Ribourdouille
J.H. Geertsema
R.W.J. Groenink
R.W.F. van Tets
J.M. de Jong

Major subsidiaries and associated companies

(unless otherwise stated, the bank's interest is 100% or nearly 100%)

ABN AMRO Bank N.V., Amsterdam

Netherlands

Mees Pierson Holding N.V., Amsterdam
Bank Mees & Hope N.V., The Hague
Pierson, Heldring & Pierson N.V., Amsterdam
Hollandsche Bank-Unie N.V., Rotterdam
Lease Plan Holding N.V., Almere

ABN AMRO Auto Lease B.V., Amsterdam
ABN AMRO Onroerend Goed Holding B.V., Amsterdam
ABN AMRO Participaties B.V., Amsterdam
ABN AMRO PPM B.V., Amsterdam
ABN AMRO Projectontwikkeling B.V., Amsterdam
ABN AMRO Schadeverzekeringen N.V., Rotterdam
ABN AMRO Trust Company (Nederland) B.V., Amsterdam
ABN AMRO Verzekeringen B.V., Zwolle
Albank B.V., Amersfoort
Alpinvest Holding N.V., Naarden (49%)
Amstel Lease Maatschappij N.V., Utrecht
Auto Lease Holland B.V., Gouda
CMV Bank N.V., Amersfoort (67%)
Consultass B.V., Zwolle
D.W. Brand N.V., Amsterdam
Finata Bank N.V., Utrecht
F. Berger & Co B.V., Amsterdam
IDM Bank N.V., Amsterdam
Interbank N.V., Heemstede
International Factors 'De Factorij' B.V. (INF Factors), Rotterdam
LeCard C.V., Utrecht (60%)
Nachenius, Tjeenk & Co N.V., Amsterdam
Nederlandsche Credietverzekering Maatschappij nv, Amsterdam (indirect 42%)
NLC Autolease B.V., Rijswijk
Rijnlandse Disconto Bank C.V., Utrecht

Associated companies

(the bank's interest generally is 20% or less)

Nederlandse Participatie Maatschappij N.V., Amsterdam

Pacific Investment Holding N.V., Amsterdam (22%)
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague

For the investments of Mees Pierson Holding N.V. and Lease Plan Holding N.V., the reader is referred to the separate annual reports published by these companies.

The list referred to in section 2 : 414 of the Netherlands Civil Code has been filed at the Chamber of Commerce.

Abroad

Europe

ABN AMRO Bank (België) N.V., Brussels
ABN AMRO Bank (Deutschland) A.G., Cologne
ABN AMRO Bank (Gibraltar) Limited, Gibraltar (74%)
ABN AMRO Bank (Ireland) Limited, Dublin
ABN AMRO Bank (Luxembourg) S.A., Luxembourg
ABN AMRO Bank (Österreich) A.G., Vienna
ABN AMRO Bank (Schweiz) A.G., Zurich
ABN AMRO Bank (Sverige) A.B., Stockholm
ABN AMRO Børsmæglersekskab (Skandinavien) A/S, Copenhagen
ABN AMRO Securities (U.K.) Ltd, London
ABN AMRO SIM, SpA, Rome
ABN AMRO S.A. S.V.B., Madrid (90%)
CM Capital Markets Brokerage S.A., Madrid (49%)
De Neuflyze, Schlumberger, Mallet S.A., Paris (80%)
Frankfurter Kreditbank GmbH, Frankfurt
Hoare Govett Ltd, London
Massonaud Fontenay Kervern S.A., Paris (33.5%)
Riada Stockbrokers Limited, Dublin (75%)

Africa

Algemene Bank Marokko S.A., Casablanca (50%)

Middle East

Saudi Hollandi Bank, Riyadh (40%)

Rest of Asia

ABN AMRO Asset Management (Far East) Ltd., Hong Kong

ABN AMRO Bank (Asia) Ltd, Singapore
ABN AMRO Securities (Far East) Ltd, Hong Kong
ABN AMRO Securities (Japan) Limited, Tokyo
(50%)
PT ABN AMRO Leasing Indonesia, Jakarta (70%)

Australia
ABN AMRO Australia Limited, Sydney

North America
ABN AMRO Bank Canada, Toronto
ABN AMRO Securities (USA) Inc., New York
ABN AMRO North America Inc., Chicago (holding
company)
European American Bank Inc., New York
LaSalle National Corporation, Chicago
LaSalle National Bank, Chicago*
LaSalle Talman Bank, FSB, Chicago
Pine Tree Capital L.P., New York (60%)

Central and South America
ABN AMRO Trustcompany (Curaçao) N.V.,
Willemstad
ABN AMRO Bank Asset Management (Curaçao)
N.V., Willemstad
ABN Tanner Bank S.A., Santiago de Chile (50%)
Banco Holandês SA, São Paulo
De Surinaamsche Bank N.V., Paramaribo (49%)

* voting right 100%, interest in capital 52%

Associated companies

(the bank's interest is 20% or less)

Banque de la Société Financière Européenne,
Paris
International Bank in Poland Inc., Warsaw

Other information

Auditor's report

We have audited the financial statements of ABN AMRO Holding N.V., Amsterdam, The Netherlands, for the year 1992. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands.

In our opinion these statements give a true and fair view of the financial position of the company as at 31 December 1992 and of the result for the year then ended and also comply with the other Dutch legal requirements for financial statements.

Amsterdam, 2 April 1993

Moret Ernst & Young Accountants

Stipulations of the articles of association and proposed profit appropriation

Stipulations of the articles of association with respect to the priority share

The rights of the holder of the priority share include the right to determine the number of members of the Managing Board, which may not be fewer than five according to the articles of association, and the number of members of the Supervisory Board, which may not be fewer than ten. The prior approval of the holder of the priority share is also required for resolutions to amend the articles of association or to dissolve the company. The priority share is entitled to an annual distribution up to 6% of its nominal value.

The priority share is held by Stichting Prioriteit ABN AMRO Holding, a foundation established in Amsterdam. The Executive Committee is made up of the members of the Supervisory and Managing Boards of ABN AMRO Holding N.V.

Stipulations of the articles of association with respect to profit appropriation

Profit is appropriated in accordance with article 38 of the articles of association of ABN AMRO Holding N.V., the wording of which is as follows:

Article 38

♦ 1 The company may only make distributions to the shareholders and others entitled to the profit available for distribution to the extent that its shareholders' equity exceeds the paid and called portion of the capital plus the reserves which are required by law.

♦ 2 The profit shown in the approved annual accounts shall be appropriated as follows:

a To the holder of the priority share shall be distributed up to six per cent (6%) of the nominal value of its share.

b 1 Thereafter, to the holders of preference shares shall be distributed a dividend, the percentage of which is related to the average yield on the five longest-dated government loans, calculated for each series of preference shares in the manner set forth in paragraph b 2 below.

b 2 The dividend percentage for each series of preference shares shall be calculated by taking the arithmetic mean of the average effective yields of the loans referred to in paragraph b 1 above, as determined by the Central Bureau of Statistics and

published in the Official Price List of the Amsterdam Stock Exchange for the last twenty days of trading preceding the first day of issue of preference shares in that series, plus an increment determined by the Managing Board, subject to the approval of the Supervisory Board, which shall be not less than a quarter of a percentage point and not more than one percentage point, depending on the market conditions then prevailing.

b 3 On the first of January, two thousand and one, and every ten years thereafter, the dividend percentage for each series of preference shares in issue shall be adjusted to the average effective yield at that time of the five longest-dated government loans, as calculated in the above manner over the last twenty days of trading preceding the date of adjustment of the dividend percentage, plus an increment determined by the Managing Board, subject to the approval of the Supervisory Board, in the manner described above.

b 4 No distribution of profit may be made to holders of preference shares over and above that referred to above.

c Thereafter, such profit appropriations shall be made to reserves as may be determined by the Managing Board with the approval of the Supervisory Board.

d The balance then remaining shall be distributed as dividend on the ordinary shares.

♦ 3 Subject to the approval of the Supervisory Board, the Managing Board may make the dividend or interim dividend on the ordinary shares payable either in cash or, at the option of the holders thereof and provided it is authorised to issue shares, entirely or partly in the form of ordinary or preference shares of the company or in a combination of these to be determined by the Managing Board.

♦ 4 Subject to the approval of the Supervisory Board, the Managing Board shall be entitled, to the extent that the profit permits as evidenced by an interim balance sheet drawn up with due observance of the provisions of section 2 : 105(4) of the Netherlands Civil Code, to distribute an interim dividend on the ordinary shares one or more times in the course of a financial year, prior to the approval of the annual accounts by the General Meeting of Shareholders.

♦ 5 Subject to the approval of the Supervisory Board, the Managing Board may resolve to distribute the reserves, either in cash or, if authorised to issue shares, in shares.

Proposed profit appropriation (in millions of guilders) .

Appropriation of net profit pursuant to
article 38 (2 and 3) of the articles of
association

	<u>1992</u>	<u>1991</u>
Preference share dividend	172	172
Addition to Reserves	716	608
Ordinary share dividend	796	756
	<u>1,684</u>	<u>1,536</u>

Stichting Administratiekantoor ABN AMRO Holding

Report

In compliance with the provisions of article 14 of the 22 August 1990 Trust Conditions relating to the registered preference shares of ABN AMRO Holding N.V. we hereby declare:

◆ that during the year 1992 we exclusively performed activities connected with the administration of registered preference shares against which bearer depositary receipts had been issued;

◆ that as at 31 December 1992 registered preference shares with a nominal value of NLG 1,812,411,225 were administered, against which an equal nominal amount of bearer depositary receipts in denominations of 1 × NLG 5, 10 × NLG 5, 100 × NLG 5 and 1,000 × NLG 5 had been issued in the form of CF certificates;

◆ that Messrs R.J. Nelissen and C. van Londen resigned their offices on the Executive Committee and were succeeded by Messrs R. Hazelhoff and P. Schwencke while Mr A. Heeneman will succeed Mr J.G. Wackwitz as of 31 January 1993;

◆ that, after the above changes, the Executive Committee of the Foundation will be composed as follows:

P. Schwencke: Chairman (Executive Committee Member B),

A. Heeneman: Vice Chairman (Executive Committee Member B),

R. Hazelhoff: Secretary (Executive Committee Member A);

◆ that the activities connected with the administration of the shares have been carried out by the chief accountant to the Foundation: Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V., Rotterdam.

Amsterdam, 11 January 1993

Executive Committee

Declaration of independence

The Managing Board of ABN AMRO Holding N.V. and the Executive Committee of Stichting Administratiekantoor ABN AMRO Holding hereby declare that in their joint opinion the requirements referred to in annex X to the Amsterdam Stock Exchange Rules concerning the independence of the members of the Executive Committee of Stichting Administratiekantoor ABN AMRO Holding have been satisfied.

Amsterdam, 11 January 1993

ABN AMRO Holding N.V.

Managing Board

Stichting Administratiekantoor

ABN AMRO Holding

Executive Committee

Organisation

Organisation

Managing Board

R. Hazelhoff, Chairman

P.J. Kalff

H.H. Foppe

M.J. Drabbe

Th. A.J. Meys

R. van Ommeren

L.D. de Bièvre

P. Ribourdouille

J.H. Geertsema

R.W.J. Groenink

R.W.F. van Tets

J.M. de Jong

Domestic Division

Wholesale Banking, Electronic Banking, Payment Services
Senior Executive
Vice President
J.J. Kamp
 Domestic Corporates, Small and Medium-Sized Businesses & Commercial Subsidiaries, Electronic Banking & Cash Management, Payment Services, Project Development

Domestic Branch Network
Senior Executive
Vice President
G.J. Kalff
 Domestic Branch Network, Domestic Network Support Services

Consumer Banking
Senior Executive
Vice President
H.J. Rutgers
 Retail Banking & Retail Banking Subsidiaries, Private Banking & Investments, Insurance

International Division

International Branch Network
Senior Executive
Vice President
J.J. Oyevaar
 North America, South and Central America, Middle and Far East, Africa, Australia

International Branch Network
Senior Executive
Vice President
M.H. Reuchlin
 Europe

Investment Banking & Global Clients Division

Trading
Senior Executive
Vice President
R.G.C. van den Brink
 Trading, Coordination, Product Development

Sales
Senior Executive
Vice President
R.G.C. van den Brink
 Sales, International Private Banking

New Issues, Corporate Finance & Venture Capital
Senior Executive
Vice President
W.G. Jiskoot
 Domestic New Issues, International Origination, Corporate Finance, Merchant Banking

Global Clients
Senior Executive
Vice President
R.J.N. Abrahamsen
 Banks & Governments, Global Relationship Management, Special Products

Asset Management & Trust
Senior Executive
Vice President
R.J.N. Abrahamsen
 Asset Management & Trust

Services, Securities Services, Financial Markets Operations

**Credit
Division**

Domestic Credit
Senior Executive
Vice President
A.J. Deknatel
Domestic Credit,
Special Credits

Foreign Credit
Senior Executive
Vice President
W. Brounts
Foreign Credit

**Personnel
Division**

Personnel
Senior Executive
Vice President
R.A. Kleyn
Personnel Recruitment
and Development,
Compensation and
Benefits & Industrial
Relations,
Pension Fund

**Automation
Division**

**Application Systems,
Computers and Networks**
Senior Executive
Vice President
F.I.A. Lion
Application Systems
National,
Corporate Information
Management,
Application Systems
International Network,
Computers and Networks
Development,
Computers and Networks
Facilities

**Central Services
and Policy Support
Division**

Central Services,
Corporate
Communications,
Economics,
Legal Affairs

**General
Management
Division**

Planning & Control
Senior Executive
Vice President
W.M. ten Berg
Financial and
Management Accounting,
Taxation

Managing Board
Secretariat,
Group Audit

Domestic Division

Divisional Management

M.J. Drabbe
J.M. de Jong
G.J. Kalff
J.J. Kamp
H.J. Rutgers

Head Office

Wholesale Banking, Electronic Banking, Payment Services

Senior Executive
Vice President
J.J. Kamp

**Domestic
Corporates**
P.E. Driessen

**Small and Medium-Sized
Businesses
& Commercial Subsidiaries**
J.A.H. Janssens

**Electronic Banking
& Cash Management**
D. Wessels

Payment Services
B.R. Kok

Project Development
E.J. Prins

Domestic Branch Network

Senior Executive
Vice President
G.J. Kalff

**Domestic
Network Support Services**
R.F.P.M. Receveur

Branch Network

North Region
H. Bouma

Overijssel Region
C.H. Sipsma

Gelderland Region
P.H.M. van Amerongen

Utrecht Region
B. Haverlag

Amsterdam Region
J. Huisjes

Haarlem Region
J.S. Hesp

The Hague Region
G.J.C. van Engelen

Rotterdam/Zeeland Region
J.C. ten Cate

South-West Region
F.V.J. Hollman

South-East Region
C.H.A. Collee

The Dutch network comprises approximately 1400 branches

Consumer Banking

Senior Executive

Vice President

H.J. Rutgers

**Retail Banking
& Retail Banking Subsidiaries**

R. Toorenvliet

**Private Banking
& Investments**

D. Post

Insurance

E. James

B. Wapstra

International Division

Divisional Management

P.J. Kalff

R.W.F. van Tets

J.J. Oyevaar

M.H. Reuchlin

International Branch Network

North America,
South and Central
America, Middle and Far
East, Africa, Australia

Senior Executive

Vice President

J.J. Oyevaar

General Manager Middle and
Far East, Africa, Australia

J.J.W. Zweegers

Regional Manager North East
Asia

I.H.J.M. van Waesberghe

Hong Kong

Regional Manager South East
Asia, Australia

H.W.E. Riedlin

Singapore

Regional Manager Middle
East, Africa

P.V. Callenfels

Bahrain

Regional Management
North America

H.F. Tempest

Chicago

A.J.M. de Boer

New York

General Manager South and
Central America

D. Visserman

Regional Manager Central
America, Caribbean

R.H.C. Wessels

Curaçao

Regional Manager Brazil

R.P. Eemsing

São Paulo

Regional Manager Argentina,
Paraguay, Uruguay, Chile

D.M. Scalongne

Buenos Aires

The international network comprises approximately 450 branches

Investment Banking & Global Clients Division

Divisional Management

Th. A.J. Meys

L.D. de Bièvre

R.W.J. Groenink

R.J.N. Abrahamsen

R.G.C. van den Brink

W.G. Jiskoot

Trading

Senior Executive

Vice President

R.G.C. van den Brink

Trading

G.P.J. Cornelissen

Coordination,
Product Development

M.C. Huizer

Sales

Senior Executive

Vice President

R.G.C. van den Brink

Sales

T.F. Zwierzina

International Private Banking

F.B. Deiters

New Issues, Corporate Finance & Venture Capital

Senior Executive

Vice President

W.G. Jiskoot

Domestic New Issues

C.W.H. Brüggemann

International Origination

C.J.M. van Gessel

Corporate Finance,
Merchant Banking

H.A. van Joolen

International Branch Network

Europe

Senior Executive

Vice President

M.H. Reuchlin

General Manager Credits

L.J.J. de Cler

General Manager France, Germany, Switzerland, Central and Eastern Europe

J. Koopman

General Manager International Private Banking

F.B. Deiters

Regional Manager Western and Northern Europe

F.G.H. Deckers

Regional Manager Southern Europe

W.J.N. Hoek

Regional Manager Central and Eastern Europe

Th. J. Bark

Global Clients

Senior Executive

Vice President

R.J.N. Abrahamsen

Asset Management & Trust

Senior Executive

Vice President

R.J.N. Abrahamsen

Banks & Governments

L.J.N. Rost Onnes

Asset Management & Trust

J. Vroegop

Services

R.J.M. van der Horst

Global Relationship Management

P. Kuyper

Securities Services

T.M.T. Adriaenssens

Special Products

L.M. Scheeffers

Financial Markets Operations

L.V. Gertenbach

Credit Division

Divisional Management

H.H. Foppe

A.J. Deknatel

W. Brounts

Domestic Credit

Senior Executive

Vice President

A.J. Deknatel

Domestic Credit

M.W. Nieuwenhuys

N.A. Schut

M.F. Seckel

Special Credits

E.G. Scholten

Foreign Credit

Senior Executive

Vice President

W. Brounts

Foreign Credit

W.F.C. Baars

W.J.J. de Cler

Personnel Division

Divisional Management

R. van Ommeren

R.A. Kleyn

Personnel

Senior Executive

Vice President

R.A. Kleyn

Personnel Recruitment and Development

R.J.W. Mommers

Compensation and Benefits & Industrial Relations

H. Vermeulen

Pension Fund

K. Gunnink

Automation Division

Divisional Management

P. Ribourdouille

F.I.A. Lion

Application Systems, Computers and Networks

Senior Executive

Vice President

F.I.A. Lion

Application Systems National

Corporate Information Management

P.G. Jansen

Application Systems International Network

Computers and Networks Development

J.H. Giesberts

Computers and Networks Facilities

R.J. de Boer

Central Services and Policy Support Division

Divisional Management

R. van Ommeren

Central Services

A. Grijpma

Economics

E.F. Limburg

Legal Affairs

R.E. Rischke

P. Ribourdouille

Corporate Communications

A. Grijpma

General Management Division

Divisional Management

J.H. Geertsema

R. Hazelhoff

W.M. ten Berg

Planning & Control

Senior Executive

Vice President

W.M. ten Berg

Financial and Management

Accounting

H.M.L. Pieterse

Taxation

S.M.M.A.J. Bakker

Managing Board Secretariat

H.P.A. van Wensen

Group Audit

E.J. van Dijk

Share information

Share capital

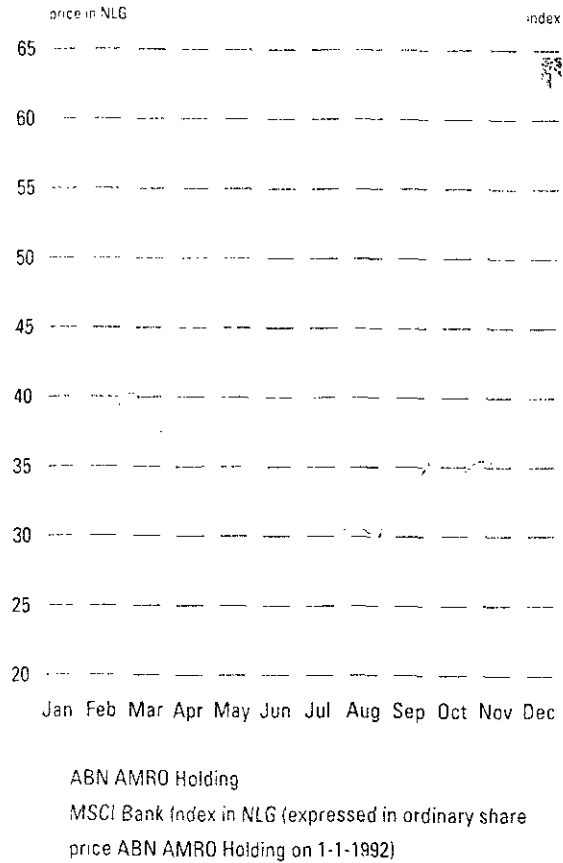
During 1992, 13.5 million ordinary shares were issued. This increased the total number of ordinary shares in issue to 277.7 million. The number of non-cumulative preference shares was unchanged at 362.5 million. The average number of ordinary shares for the purpose of determining profit per share was 274.4 million. The aforementioned increase in ordinary shares resulted from the payment of the final dividend for 1991 and the interim dividend for 1992 (totalling 10.7 million shares) and the exercise of options, warrants and convertible debentures (2.8 million shares). If the rights as at year-end 1992 are fully exercised, this will increase the number of ordinary shares by 12.7 million.

Rights as at 31 December 1992

(in thousands of shares)

Year of expiry	Staff options and convertibles	Warrants	Average exercise price (NLG)
1993	175		38.28
1994	39		40.01
1995	294		32.26
1996	802		40.38
1996		6,054	59.46
1997	5,337		44.20
	6,647	6,054	50.86

Movements in the share price of ABN AMRO Holding



Important dates in 1993

28 April	Last date for announcement of cash component of dividend with stock option
7 May	Meeting of shareholders
10 May	Ex-dividend quotation
24 May	Dividend payable
9 July	Closing date for instructions concerning dividend options
27 August	Announcement of interim figures

Market capitalisation

(year-end in millions of guilders)

	1992	1991	1990
Ordinary shares	14,109	11,098	8,059
Preferente shares	2,259	2,197	1,565
	16,368	13,295	9,624
Capitalisation of ordinary shares as % of Amsterdam Stock Exchange according to CBS All-Share Index	6.02	5.00	4.17

Key figures per ordinary share

(in guilders)

	1992	1991	1990
Prices:			
♦ High	51.40	43.30	36.00
♦ Low	42.00	30.80	30.00
♦ Year-end	50.80	42.00	31.60
Profit per share*	5.51	5.22	5.02
Payout ratio in %	52.6	55.4	57.5
Dividend per share*	2.90	2.90	2.89
Dividend yield in % (year-end)	5.7	6.9	9.2
Net asset value per share*	51.35	51.17	50.23
Price/earnings ratio (year-end)	9.2	8.0	6.3
Price/net asset value in %	98.9	82.0	62.7

* Based on the average number of ordinary shares in issue, weighted according to dividend entitlement and adjusted for new share issues.

Ordinary share dividend ABN AMRO Holding

(in guilders)

	Total	Cash	Cash or stock at shareholder's option				
			Cash	Class of share	% of nominal value	Price	New shares in thousands
Interim dividend 1990	1.40	0.40	1.00	preference	20	5.00	51,114
Final dividend 1990	1.50	0.45	1.05	preference	20	5.25	51,389
Interim dividend 1991	1.40	0.50	0.90	ordinary	2.5	36.00	6,427
Final dividend 1991	1.50	0.65	0.85	ordinary	2	42.50	5,303
Interim dividend 1992	1.40	0.55	0.85	ordinary	2	42.50	5,417

The number of new shares in issue is the maximum number to be issued if all shareholders opt for stock rather than taking dividends in cash.

Major shareholders

Pursuant to the Financial Disclosure Act regarding interests in listed companies, the following – indirect – holdings of shares of ABN AMRO Holding N.V. have been reported.

(in %)

	Ordinary shares	Depository receipts for preference shares
Aegon N.V.	3.31	9.54
N.V. Amev		5.72
Delta Lloyd Verzekerings- groep N.V.		5.90
Internationale Nederlanden Groep N.V.	7.49	9.08
Beleggingsfonds 'De Zonnewijzer'		5.00
Rabobank Nederland	0.05	5.59

Daily turnover of ordinary shares in 1992

(in thousands and counted twice)

	Amsterdam Stock Exchange	Seaq International London
High	2,856	3,089
Low	73	5
Average	569	433

Daily turnover of preference shares in 1992

(in thousands and counted twice)

	Amsterdam Stock Exchange
High	2,399
Low	47
Average	214

Stock exchange listing

The ordinary shares of ABN AMRO Holding N.V. are listed on the following stock exchanges: Amsterdam, London, Paris, Brussels, Frankfurt, Hamburg, Düsseldorf, Zurich, Geneva, Basle, Berne, Lausanne and Singapore.

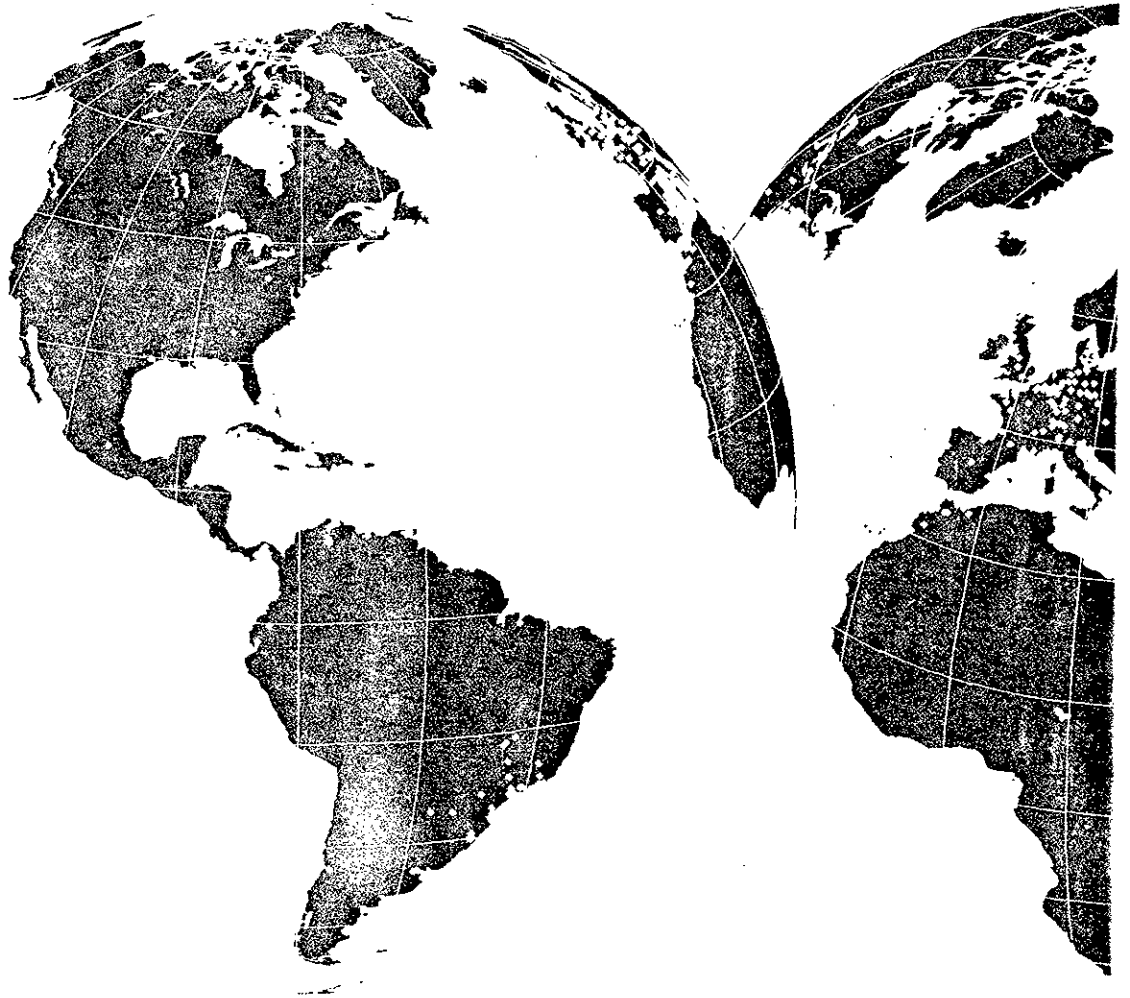
In the United States of America the ordinary shares of ABN AMRO Holding N.V. are available in the form of American Depositary Receipts (ADRs). These ADRs are not listed on any stock exchange in the United States. On 31 December 1992, 851,046 ADRs were in issue.

The depository receipts for preference shares are listed on the Amsterdam Stock Exchange.

Institutional Investor Relations

Telephone: + 31 20 628 41 82

Affiliated institutions and establishments



North America

Canada: Toronto, Montreal, Vancouver

United States: Chicago, Atlanta, Boston, Houston, Los Angeles, Miami, New York, Pittsburgh, San Francisco, Seattle.

Extensive retail branch networks are operational in the Chicago area via LaSalle National Bank and LaSalle Talmán Bank, FSB and in the New York/Long Island area via European American Bank.

Caribbean

Aruba: Oranjestad, San Nicolas

Cayman Islands: Grand Cayman

Netherlands Antilles:

Curaçao: Willemstad

Bonaire: Kralendijk

Sint Maarten: Philipsburg

Virgin Islands: St. Thomas

Central and South America

Argentina: Buenos Aires

Brazil: São Paulo, Anápolis,

Belém, Belo Horizonte,

Blumenau, Brasília, Campinas,

Caxias do Sul, Curitiba,

Florianópolis, Fortaleza,

Goiânia, João Pessoa, Joinville,

Juiz de Fora, Londrina, Macaé,

Natal, Niterói, Novo Hamburgo,

Pôrto Alegre, Recife, Ribeirão

Prêto, Rio de Janeiro, Salvador

(Bahia), Santo André, Santos,

São José dos Campos, Taubaté,

Uberlândia

Chile: Santiago, Valparaíso,

Viña del Mar

Ecuador: Quito, Guayaquil

Mexico: Mexico City

Panama: Panama

Paraguay: Asunción,

Ciudad del Este

Suriname: Paramaribo,

Moengo, Nieuw Nickerie

Uruguay: Montevideo, Colonia

Venezuela: Caracas

Africa

Kenya: Mombasa, Nairobi

Morocco: Casablanca, Agadir,

Al Hoceima, El Jadida, Fès,

Marrakech, Meknès,

Mohammedia, Nador, Oujda,

Rabat, Rabat-Agdal, Tanger,

Tetouan



Europe

Austria: Vienna
Belgium: Brussels, Antwerp,
 Hasselt, Kortrijk, Liège
Channel Islands:
Jersey: St. Helier
Czech Republic: Prague
Denmark: Copenhagen
France: Paris, Aix-en-Provence,
 Bordeaux, Caen, Cannes, Lille,
 Lyons, Montpellier, Nantes,
 Nice, Rennes, Strasbourg,
 Toulouse
Germany: Cologne, Aachen,
 Berlin, Bielefeld, Bonn, Bremen,
 Chemnitz, Dortmund, Dresden,
 Düsseldorf, Erfurt, Frankfurt,
 Hamburg, Hannover, Kassel,
 Leipzig, Magdeburg, Mannheim,
 Munich, Münster, Nettetal-
 Kaldenkirchen, Nürnberg,
 Saarbrücken, Schwerin,
 Stuttgart

Gibraltar: Gibraltar
Great Britain: London,
 Birmingham, Manchester
Greece: Athens, Piraeus,
 Thessaloniki
Hungary: Budapest
Ireland: Dublin
Italy: Milan, Rome, Verona
Liechtenstein: Vaduz
Luxembourg: Luxembourg
Monaco: Monte Carlo
Portugal: Lisbon, Funchal
 (Madeira), Porto
Russia: Moscow
Spain: Madrid, Barcelona,
 Bilbao, Valencia
Sweden: Stockholm
Switzerland: Zurich, Basle, Berne,
 Chiasso, Geneva
Turkey: Istanbul

Asia

Bahrain: Manama
China, People's Republic of:
 Beijing, Shanghai
Hong Kong: Hong Kong, Kowloon,
 New Territories
India: Bombay, Calcutta,
 New Delhi
Indonesia: Jakarta, Bandung,
 Surabaya
Japan: Tokyo, Osaka
Lebanon: Beirut, Kaslik Jounieh
Malaysia: Kuala Lumpur, Penang
Pakistan: Karachi
Saudi Arabia: Riyadh, Abha,
 Alkhobar, Buraidah, Dammam,
 Hail, Hofuf, Jeddah, Jubail,
 Madinah, Makkah, Qatif, Tabuk,
 Taif, Yanbu

Singapore: Singapore
South Korea: Seoul
Sri Lanka: Colombo
Taiwan: Taipei, Kaohsiung
Thailand: Bangkok
United Arab Emirates: Dubai,
 Abu Dhabi, Sharjah
Vietnam: Ho Chi Minh City

Australia

Australia: Sydney, Melbourne

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ABN AMRO Holding N.V., having its registered office in Amsterdam, the Netherlands, and entered in the Trade Register of the Amsterdam Chamber of Commerce under no. 220369

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1992 ANNUAL REPORT OF ABN AMRO BANK N.V.



ABN·AMRO

ABN AMRO Bank N.V.

ANNUAL REPORT 1992

ABN AMRO Bank N.V.

ANNUAL REPORT 1992

Report of the Supervisory Board to Shareholders

We are privileged to present the 1992 financial statements of ABN AMRO Bank N.V., as drawn up by the Managing Board. These financial statements, after examination by Moret Ernst & Young Accountants, have been adopted by our Board in conformity with the Managing Board's proposal. We invite you to approve the 1992 financial statements as presented and, in so doing, to ratify the actions of the Managing and Supervisory Boards, in accordance with article 34(5) of the articles of association. On approval of the financial statements and the profit appropriation they incorporate, a dividend of NLG 2.70 per preference share will be paid for 1992. Thereafter the holders of the priority shares will receive a dividend of 4% and the holders of ordinary shares will be paid a primary dividend of 5%.

At the 1993 Annual General Meeting of Shareholders, Messrs A. Batenburg and O. Vogelenzang will retire as members of the Supervisory Board, having attained the stipulated maximum age. Mr Batenburg was appointed to the Supervisory Board of Algemene Bank Nederland N.V. as of 1 May 1985, Mr Vogelenzang became a member of the Supervisory Board of Amsterdam-Rotterdam Bank N.V. on 7 April 1986. Mr Batenburg was Chairman of the Managing Board of Algemene Bank Nederland N.V. from September 1974 to May 1985. Mr Vogelenzang was Chairman of the Board of Managing Directors of Amsterdam-Rotterdam Bank N.V. from March 1979 to April 1984 and member of the Advisory Council of Amsterdam-Rotterdam Bank N.V. from April 1984 to April 1986. We are greatly indebted to Messrs Batenburg and Vogelenzang for their long and valuable contribution to the work of our Board.

Pursuant to the provisions of article 25(1) of the articles of association, Messrs J.D. Hooglandt, F.H. Fentener van Vlissingen, C.T. van der Molen, A. Heijn, J.J. Endtz, G. van Schaik and Mrs M. Epema-Brugman were also due to retire. They all offered themselves for reappointment. We propose to reappoint them. The Supervisory Board also intends to appoint, on the Managing Board's recommendation, Messrs W. Dik and J.M.H. van Engelsheven to the Supervisory Board. The Central Staff Council has agreed to the proposed appointments and reappointments.

The number of Managing Board members has been fixed at eleven as of 7 May 1993. The number of Supervisory Board members remains unchanged at eighteen.

On 7 May 1993, Mr H.H. Foppe will retire from the Managing Board, having attained pensionable age. Mr Foppe was appointed to the Managing Board of Amsterdam-Rotterdam Bank N.V. on 1 March 1979. We are very grateful to Mr Foppe for his many good services on behalf of the bank.

We should like to take this opportunity of expressing our great appreciation and gratitude to the Managing Board and the staff of the bank for their dedication in the year under review.

Amsterdam, 2 April 1993

Supervisory Board

H.F. van den Hoven, Chairman

J.D. Hooglandt, Vice Chairman

ABN AMRO Bank N.V.

Report of the Managing Board to Shareholders

ABN AMRO Bank N.V. is an almost wholly-owned subsidiary of ABN AMRO Holding N.V. At present 18,989 ordinary shares and 468 preference shares of ABN AMRO Bank are held by third parties. This represents an interest of 0.1% in the share capital.

ABN AMRO Holding has published an extensive annual report for 1992, in which developments at the bank are explained extensively. For further details the reader is referred to this annual report.

Amsterdam, 2 April 1993

Managing Board
R. Hazelhoff, Chairman

FINANCIAL STATEMENTS 1992

Accounting policies

Consolidation

The financial statements represent the integral consolidation of the assets, liabilities, income and expenses of ABN AMRO Bank N.V. and its group companies. Third-party interests in the equity and results of group companies are stated separately.

Valuation and determination of results

Assets and liabilities

Except where otherwise stated, assets and liabilities are included at face value. Assets are shown less any diminution in value deemed necessary. In the case of uncollectable debts, such diminution in value is generally determined per item. A diminution in value is also applied for debts of a number of countries with payment problems.

With the exception of bonds and shares in the securities portfolio, securities are included at either purchase price or discounted value on issue plus accrued interest. Insofar as added to the account itself, accrued interest is included in Savings accounts. Other prepayments and accruals are included in Debtors and Creditors, respectively.

Currency translation

Assets and liabilities denominated in foreign currencies and the relevant forward contracts and currency swap operations are translated into guilders at the spot exchange rates. Other forward contracts in foreign currencies are stated at market value for their remaining terms. Differences between this value and the contract rate are netted off and included in Debtors.

Results denominated in foreign currencies are translated at the rates prevailing on the transaction date. Results of foreign branches, subsidiaries and associated companies, apart from those in countries with an exceptionally high rate of inflation, are translated at the rates prevailing at the end of the month in which the results are recognised. The results of establishments in hyperinflation countries are translated at the rates prevailing on balance sheet date.

Investment and trading portfolios

Bonds forming part of the investment portfolios are stated at redemption value. Shares held in the investment portfolios are included at market value; changes in value are credited or charged to Shareholders' equity insofar as the revaluation reserve in question is adequate. Any premiums and discounts in respect of investments in fixed-interest debt securities and loans are included in Debtors and Creditors, respectively, and are taken to the profit and loss account over the remaining terms of the items to which they relate.

Securities held in the trading portfolios are stated at market value. Differences caused by this method of valuation are taken to the profit and loss account in Other income. Own debentures acquired for resale are stated at the lower of market value and cost.

Other financial instruments

Stock, currency and other options as well as interest rate contracts like interest rate swaps and future rate agreements are carried at market value. Where these instruments are used in conjunction with particular assets or liabilities, they are stated in relation to the item concerned.

Subsidiaries and associated companies

Where the company has a significant influence on commercial and financial policy, valuation of subsidiaries and associated companies is on the basis of their net asset value, determined as far as possible in accordance with the policies applied in these financial statements. Differences caused by this method of valuation - other than those movements which, in accordance with the adopted policies, are accounted for in equity - are taken to the profit and loss account in Other income.

Other subsidiaries and associated companies are shown at current value, i.e. the estimated proceeds from disposal. The differences due to this method of valuation are accounted for in Shareholders' equity.

Goodwill paid on the acquisition of subsidiaries and associated companies is charged to Shareholders' equity in the year of acquisition. Equity participations, i.e. interests acquired temporarily as part of investment banking activities, are stated at the lower of cost and market value.

Property and equipment

a Property for use by the bank

The bank premises, including land, are stated at current value based on replacement cost as determined by regular professional valuations. The buildings and the fixtures and fittings are fully depreciated by the straight-line method over their estimated useful life with a maximum of fifty years. Movements in value, less taxation on them, are credited or charged to Shareholders' equity. Capital expenditure on rented premises is capitalised and likewise depreciated on a straight-line basis, taking into account the term of the lease.

b Property not for use by the bank

Properties held for sale are stated at the lower of cost less depreciation and the estimated proceeds from sale. Included in the valuation of development projects is the proportionally capitalised development expenditure and interest during construction.

c Equipment and computers

Equipment, computer installations and software bought from third parties are stated at cost less straight-line depreciation over the estimated useful life.

Provisions

Provisions are included in Creditors. Provisions for company pension schemes, non-activity schemes and deferred taxation are stated at discounted value as at balance sheet date.

a Provision for general contingencies

This provision relates to the general risks inherent in lending and other banking activities of that nature engaged in directly or through subsidiaries and associated companies. The provision is mainly charged with diminutions in value of receivables. The balance sheet items concerned are reduced by the amounts of these diminutions.

The addition to the Provision for general contingencies from the profit and loss account is based on the amount, composition and risk profile of risk-bearing assets and contingent liabilities. Each year, the amount added to the provision is compared with the charge against it and reviewed in the light of risk expectations.

b Provisions for pensions

The pension rights of staff employed in the Netherlands and of expatriate staff are insured chiefly with the ABN AMRO pension fund. These rights are determined on the basis of final pay and an actuarial interest rate of 4%.

When the ABN and AMRO pension funds were merged in 1992, the pension rights and the basis taken for the calculation of these rights were harmonised. For members of the ABN AMRO pension fund in active employment, the commitments are funded by an average contribution calculated on the total wages of these members. The amount of the contribution takes account of increases in pension rights in line with the development of wages and inflation as well as the return achieved by the pension fund in excess of the actuarial interest rate.

For the majority of staff employed abroad, pension or other retirement schemes have been established in accordance with the regulations and practices of the countries concerned. Most of these schemes are insured with underwriters. The premiums paid are charged to the result each year. For the schemes not insured with underwriters, provisions are made either on the basis of actuarial calculations, applying the usual local rate, or at the face value of the benefits anticipated where these benefits are payable directly upon severance. The annual addition to this provision, charged to the result, is determined on the basis of the rights which have arisen in the year under review.

c Provisions for non-activity schemes

These provisions are formed for voluntary early retirement of employees in the Netherlands, taken or opted for as at year-end, as well as for benefits payable for complete disablement.

d Provision for deferred taxation

This provision relates to future taxation liabilities resulting from the difference between the book value and fiscal value of certain assets and liabilities.

e Provision for insurance funds

The life assurance commitments are calculated according to actuarial principles.

Determination of results

The presentation of a number of profit and loss account items has already been covered above.

Interest, which includes the results on interest rate contracts and commission income from lending, is recognised in the year to which it relates, unless considered uncollectable.

Exchange differences on currency positions are shown as Other income, with the exception of:

premiums and discounts in respect of forward contracts and currency swaps in connection with funding and lending. These are recognised as Interest over the terms of the contracts concerned:

translation differences on the capital invested in foreign branches, subsidiaries and associated companies, including results retained by them, apart from investments in countries with an exceptionally high rate of inflation; these differences, together with the results of related hedging operations, are included in Shareholders' equity after allowing for taxation effects.

Premiums and discounts on the premature sale of assets held in the investment portfolio (treasury paper, bonds and private loans to public authorities) in connection with swap transactions are included in Interest.

Other commissions and costs are attributed to the year to which they relate.

In calculating the tax burden, the amount of the addition to the Provision for general contingencies is taken as a charge.

Reclassification

The definition of savings, as applied by Dutch banks, was altered in 1992. As a result, all personal customers' deposits are now classed as Savings accounts. In the comparative figures for 1991, amounts totalling NLG 20.6 billion (NLG 17.2 billion in the non-consolidated balance sheet) have accordingly been transferred from the items Debt securities and non-subordinated loans and Deposits to the item Savings accounts. The US commercial paper programme has been transferred in 1992 from the company to one of its subsidiaries. The comparative figures for 1991 in the non-consolidated balance sheet have been adjusted accordingly.

**Balance sheet and consolidated balance sheet
as at 31 December 1992 after profit appropriation**

(in millions of guilders)

	Balance sheet		Consolidated balance sheet	
	1992	1991	1992	1991
Assets				
Cash and money at call	10,862	10,414	14,238	14,225
Treasury paper [1]	9,935	8,013	11,412	11,279
Banks [2]	117,093	105,873	113,378	106,859
Securities and syndicates [3]	23,169	19,029	48,412	34,457
Advances against treasury paper and/or securities	5,670	4,051	14,742	11,210
Bills receivable	2,118	4,733	4,586	6,828
Amounts receivable from or guaranteed by public authorities [4]	29,129	25,245	38,930	33,371
Debtors [5]	136,246	128,237	206,997	189,290
Investments in and receivables from subsidiaries and associated companies [6]	27,614	27,272	1,641	1,826
Property and equipment [7]	3,679	3,725	5,982	5,639
	-----	-----	-----	-----
	365,515	336,592	460,318	414,984
	-----	-----	-----	-----

Numbers stated against items refer to the notes.

The figures for 1991 have been adjusted for comparison purposes.

	Balance sheet		Consolidated balance sheet	
	1992	1991	1992	1991
Liabilities				
Share capital, issued and paid-up	2,556	2,556	2,556	2,556
Reserves	12,996	12,058	12,996	12,058
	-----	-----	-----	-----
Shareholders' equity [9]	15,552	14,614	15,552	14,614
Third-party interests [10]			987	633
			-----	-----
Group equity			16,539	15,247
Subordinated loans [11]	9,238	8,680	9,529	8,951
	-----	-----	-----	-----
Group equity and subordinated loans	24,790	23,294	26,068	24,198
Debt securities and non-subordinated loans [12]	29,539	32,283	50,232	50,252
Savings accounts	52,921	53,002	74,502	65,183
Deposits	60,736	53,327	89,407	79,957
Creditors [13]	63,855	60,126	83,187	75,244
Banks [14]	112,114	94,466	101,897	93,014
Other funds borrowed	21,560	20,094	35,025	27,136
	-----	-----	-----	-----
	365,515	336,592	460,318	414,984
	-----	-----	-----	-----
Commitments with respect to guarantees granted	40,948	33,267	35,761	30,951
Commitments with respect to irrevocable letters of credit	4,296	3,963	6,533	6,163
Commitments with respect to recourse risks arising from discounted bills	388	158	838	749
Commitments with respect to irrevocable facilities	41,526	43,023	51,346	51,006

Profit and loss account for the year 1992

(in millions of guilders)

	1992	1991
Results of subsidiaries and associated companies after tax	709	256
Other results after tax	915	1,227
Net profit	1,624	1,483

Drawn up in accordance with section 2 : 402 of the Netherlands Civil Code.

Consolidated profit and loss account for the year 1992

(in millions of guilders)

	1992	1991
Income		
Interest [17]	8,051	7,245
Commission [18]	3,134	2,790
Other income [19]	999	1,193
	-----	-----
	12,184	11,228
	-----	-----
Expenses		
Salaries and pension and social insurance charges [20]	4,920	4,584
Other expenses [21]	2,786	2,481
Depreciation of fixed assets [22]	606	591
	-----	-----
	8,312	7,656
	-----	-----
Gross result	3,872	3,572
Addition to Provision for general contingencies	1,400	1,320
	-----	-----
Profit before tax	2,472	2,252
Taxation [23]	814	745
	-----	-----
Group profit	1,658	1,507
Third-party interests	34	24
	-----	-----
Net profit	1,624	1,483
	-----	-----
Profit appropriation		
	1992	1991
Addition to Reserves	1,496	1,355
Ordinary share dividend	128	128
	-----	-----
	1,624	1,483

Numbers stated against items refer to the notes.

Notes to the balance sheet and consolidated balance sheet

unless otherwise stated, all amounts are in millions of guilders

	Balance sheet		Consolidated balance sheet	
	1992	1991	1992	1991
1 Treasury paper				
This item only comprises foreign treasury paper.				
Analysis according to remaining term:				
due in 1993 (1992)	9,328	6,901	9,852	7,702
due in 1994 (1993) and subsequent years	607	1,112	1,560	3,577
	<u>9,935</u>	<u>8,013</u>	<u>11,412</u>	<u>11,279</u>
2 Banks				
	1992	1991	1992	1991
Demand deposits	9,009	13,330	11,113	14,933
Time deposits	108,084	92,543	102,265	91,926
	<u>117,093</u>	<u>105,873</u>	<u>113,378</u>	<u>106,859</u>
Also included are amounts receivable from subsidiaries and associated companies in connection with interbank transactions	18,477	13,499	121	77
3 Securities and syndicates				
	1992	1991	1992	1991
Listed:				
bonds issued by Dutch public authorities	7,198	6,091	8,685	7,393
bonds guaranteed by Dutch public authorities	190	121	198	129
other bonds and debt securities	6,815	5,359	28,133	17,001
shares	838	388	2,014	1,705
	<u>15,041</u>	<u>11,959</u>	<u>39,030</u>	<u>26,228</u>
Unlisted:				
other bonds and debt securities	7,829	6,897	8,723	7,537
shares	299	173	659	692
	<u>8,128</u>	<u>7,070</u>	<u>9,382</u>	<u>8,229</u>
	<u>23,169</u>	<u>19,029</u>	<u>48,412</u>	<u>34,457</u>

	Balance sheet		Consolidated balance sheet	
	1992	1991	1992	1991
Analysis:				
securities lending account	268		1,118	1,012
investment portfolio	17,507	14,488	38,333	25,271
trading portfolio	1,850	2,149	4,766	4,329
other debt securities (banks)	1,374	722	1,427	967
other debt securities (lending)	2,170	1,670	2,768	2,878
	-----	-----	-----	-----
	23,169	19,029	48,412	34,457
Securities issued by ABN AMRO and group companies				
	138	184	415	535

As a result of securities lending contracts and transactions involving repurchase commitments, insofar as these are not included in the securities lending account, third parties hold legal title to an amount of NLG 910 million (NLG 245 million). The group has dealt in its own shares exclusively within the context of its stockbroking activities.

4 Amounts receivable from or guaranteed by public authorities

	1992	1991	1992	1991
Amounts receivable from or guaranteed by Dutch public authorities	21,543	17,486	27,821	23,110
Amounts receivable from or guaranteed by foreign public authorities	7,586	7,759	11,109	10,261
	-----	-----	-----	-----
	29,129	25,245	38,930	33,371

5 Debtors

	1992	1991	1992	1991
Analysis according to:				
a. security:				
Loans secured by mortgage	33,958	32,229	52,841	43,019
Debtors guaranteed by credit institutions	1,525	1,206	1,953	2,879
Acceptance credits	1,347	1,620	2,606	2,507
Other loans	89,521	84,451	135,106	129,373
Receivables and prepayments	9,895	8,731	14,491	11,512
	-----	-----	-----	-----
	136,246	128,237	206,997	189,290
b. average original term:				
Less than two years	82,464	79,139	120,477	113,763
Two years and more	53,782	49,098	86,520	75,527
	-----	-----	-----	-----
	136,246	128,237	206,997	189,290

	Balance sheet		Consolidated balance sheet	
	1992	1991	1992	1991
c. sector of industry (in billions of guilders):				
Agriculture, horticulture, forestry and fisheries	3	3	3	3
Manufacturing industry	20	20	33	31
Service industry	58	53	85	80
Financial institutions	18	15	23	21
	---	---	---	---
	99	91	144	135
Other receivables/private individuals etc.	28	28	48	42
Receivables and prepayments	9	9	15	12
	---	---	---	---
	136	128	207	189

6 Investments in and receivables from subsidiaries and associated companies

	1992	1991	1992	1991
Investments	12,029	9,854	998	1,200
Receivables	15,580	17,388	352	394
Equity participations	5	30	291	232
	-----	-----	-----	-----
	27,614	27,272	1,641	1,826

	Balance sheet		Consolidated balance sheet		
	Investments	Receivables	Investments	Receivables	Equity participations
Consolidated subsidiaries and associated companies					
Opening balance	8,812	17,033			
Acquisitions/increases	1,383	20			
Disposals/reductions	(97)				
Intragroup movements	862	(1,745)			
Other movements (net)	194				
Closing balance	-----	-----			
	11,154	15,308			
Non-consolidated companies					
Opening balance	1,042	355	1,200	394	232
Acquisitions/increases	24	99	40	94	84
Disposals/reductions	(234)	(182)	(255)	(139)	(17)
Other movements (net)	43		13	3	(8)
	-----	-----	-----	-----	-----
Closing balance	875	272	998	352	291
Total	12,029	15,580	998	352	291

Balances arising from ordinary interbank transactions are included in Banks. A list of major subsidiaries and associated companies is shown on pages 28 and 29.

	Balance sheet		Consolidated balance sheet	
7 Property and equipment	1992	1991	1992	1991
Property for use by the bank	2,757	2,800	3,985	3,835
Property not for use by the bank	67	35	801	625
Equipment and computers	855	890	1,196	1,179
	<u>3,679</u>	<u>3,725</u>	<u>5,982</u>	<u>5,639</u>
			property	
			for use	not for use
	total	by the bank	by the bank	equipment/ computers
Movements in book value:				
Opening balance	5,639	3,835	625	1,179
Investments	1,052	279	302	471
Sales	(151)	(28)	(114)	(9)
Other movements (net, including consolidation and deconsolidation)	33	19	(11)	25
Revaluation	15	16	(1)	
Depreciation	(606)	(136)		(470)
	<u>343</u>	<u>150</u>	<u>176</u>	<u>17</u>
Accumulated amounts:				
Replacement cost	9,350	6,009	836	2,505
Depreciation	3,368	2,024	35	1,309
	<u>5,982</u>	<u>3,985</u>	<u>801</u>	<u>1,196</u>
Closing balance				
including revaluation amounting to	632	632		

Legal title to property and computers totalling NLG 193 million is held by third parties.

Consolidated
Balance sheet balance sheet

8 Security provided

As a consequence of security provided for money market operations and foreign exchange and options transactions, as well as guarantees issued on behalf of customers, the following assets are not freely disposable:

	1992	1991	1992	1991
Cash and money at call	557		722	
Treasury paper	1,812	1,012	1,984	2,297
Securities	368	609	2,230	2,601
Receivables	430	2,816	476	2,816

The associated commitments are included in Debt securities and non-subordinated loans, Banks, Other funds borrowed and Guarantees. As a result of monetary supervision restrictions, an amount of NLG 4.5 billion (1991: nil) of Cash and money at call is not freely disposable either.

9 Shareholders' equity

Capital

The issued and paid-up share capital is made up of the following number of shares, each of NLG 10 nominal value, except for the priority shares which have a nominal value of NLG 1,000:

priority share	31
ordinary shares	255,562,880
preference shares	6,523

There were no movements in the share capital in 1992.

Reserves

	1992	1991
Analysis:		
General reserve	10,555	9,660
Share premium reserve	2,223	2,223
Exchange differences reserve	(669)	(678)
Revaluation reserves	554	548
Reserve for undistributable profits of subsidiaries and associated companies	333	305
	-----	-----
	12,996	12,058

The Share premium reserve is regarded as paid-up capital for tax purposes

Movements in reserves in 1992 were as follows:

	General reserve	Share premium reserve	Exchange differences reserve	Revaluation reserves	Reserve for subs. & ass. companies
Opening balance	9,660	2,223	(678)	548	305
Goodwill	(573)				
Revaluations				6	
Currency translation differences			9		
Retained profits of subsidiaries and associated companies	(28)				28
Appropriation from net profit	1,496				
	-----	-----	-----	-----	-----
Closing balance	10,555	2,223	(669)	554	333

10 Third-party interests

This comprises the share of third parties in the equity of group companies, including the preferred stock amounting to USD 400 million (USD 215 million) issued by group companies in the United States.

	Balance sheet		Consolidated balance sheet	
11 Subordinated loans	1992	1991	1992	1991
Analysis according to remaining term:				
due in 1993 (1992)	356	339	372	352
due in 1994 to 1997 (1993 to 1996)	1,392	1,402	1,455	1,449
due in 1998 (1997) and subsequent years	7,490	6,939	7,702	7,150
	-----	-----	-----	-----
	9,238	8,680	9,529	8,951

The debentures and loans included in this item are subordinated to all current and future liabilities of the group companies that raised the loans.

Premature repayment, in whole or in part, is not permitted, except for five ABN AMRO Bank capital debenture loans totalling NLG 223 million (NLG 268 million).

12 Debt securities and non-subordinated loans

	1992	1991	1992	1991
Analysis:				
Cash notes, savings certificates and bank certificates	10,497	10,521	12,272	12,002
Certificates of deposit and commercial paper	9,458	8,404	23,079	20,292
Convertible debenture stock	7	24	7	24
Debentures and Euronotes	4,952	7,982	8,921	11,687
Private loans	4,625	5,352	5,953	6,247
	-----	-----	-----	-----
	29,539	32,283	50,232	50,252
Repayments due within one year amount to	13,758	14,023	26,737	24,711

The convertible staff debentures are redeemable in 1993; they may not be repaid prematurely.

13 Creditors

	1992	1991	1992	1991
This item also includes:				
Provision for pension commitments	23	23	75	66
Provision for non-activity schemes	225	199	263	227
Provision for insurance funds	23	23	1,477	774

	Balance sheet		Consolidated balance sheet	
	1992	1991	1992	1991
14 Banks				
Demand deposits	14,310	13,456	14,326	16,787
Time deposits	97,804	81,010	87,571	76,227
	<u>112,114</u>	<u>94,466</u>	<u>101,897</u>	<u>93,014</u>
Liabilities due after more than one year include amounts owed to subsidiaries and associated companies totalling	84	1,408	63	2

15 Analysis of liabilities

according to original term:

(consolidated, in billions of guilders)

	1992			1991		
	total	one year or less	more than one year	total	one year or less	more than one year
Subordinated loans	10		10	9		9
Debt securities and non-subordinated loans	50	20	30	50	18	32
Savings accounts	75	63	12	65	56	9
Deposits	89	83	6	80	74	6
Banks	102	94	8	93	88	5
Other funds borrowed	35	34	1	27	26	1

16 Capital commitments and contingent liabilities

This item includes non-quantified guarantees which have been given for the purposes of our securities custody activities (VABEF), Bankgirocentrale B.V. (the Banks' Clearing Institution), and other interbank bodies, as well as for subsidiaries and associated companies; the collective guarantee scheme of section 44 of the Act on the Supervision of the Credit System is also applicable to our Dutch group companies. Guarantees have also been provided for a number of group companies in the Netherlands under the provisions of section 2:403 of the Netherlands Civil Code. Legal proceedings have been initiated against ABN AMRO in several jurisdictions. On the basis of information presently available, and having taken counsel with legal advisers, the Managing Board is of the opinion that the outcome of these proceedings is unlikely to have a material effect on the financial position. For 1993, investment in buildings and computers and other capital expenditure is estimated at NLG 1,086 million, of which the company is already committed to an amount of NLG 143 million.

Notes to the consolidated profit and loss account

unless otherwise stated, all amounts are in millions of guilders

17 Interest

This item comprises interest income from lending, deposits and investments after deduction of interest payable on funds borrowed by and entrusted to the bank, as well as the results on forward contracts and currency swaps in connection with funding and lending. Also included here is commission income from lending.

18 Commission

This item comprises income from various banking services including domestic and international payments, securities, insurance and other services.

19 Other income

This item comprises the results achieved on foreign exchange dealing and securities trading, the currency translation differences on investments - other than those in tangible fixed assets - in establishments in countries with an exceptionally high rate of inflation, income from property development and the results of non-consolidated companies not already reflected in equity.

20 Salaries and pension and social insurance charges

Analysis:

	1992	1991
Salaries (including bonuses etc.)	3,901	3,668
Pension charges	228	197
Social insurance charges and other employment costs	791	719
	-----	-----
	4,920	4,584

The remuneration of present and former members of the Managing Board amounted to NLG 13,340,000 (NLG 15,885,000).

Average number of employees:

	1992	1991
Domestic network	38,204	39,455
International network	20,632	18,011
	-----	-----
	58,836	57,466

21 Other expenses

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

22 Depreciation of fixed assets

This item is made up of depreciation of buildings, computers and equipment less investment grants (1992: NLG 54 million; 1991: NLG 62 million).

23 Taxation

The tax burden was almost unchanged at 33% (1991: 33.2%). In the Netherlands the tax burden increased because a smaller proportion of income qualified for participation exemption. In a number of foreign countries, however, the tax burden diminished.

Amsterdam, 2 April 1993

Supervisory Board

H.F. van den Hoven, Chairman
J.D. Hooglandt, Vice Chairman
F.H. Fentener van Vlissingen
C.T. van der Molen
J.J.J. van Dijck
W. Dekker
A. Heijn
F.A. Maljers
A.G. Maris
A. Batenburg
Mrs M. Epema-Brugman
H.B. van Liemt
O. Vogelenzang
J.J. Endtz
G. Bresser
G. van Schaik
W. Overmars
R.J. Nelissen

Managing Board

R. Hazelhoff, Chairman
P.J. Kalff
H.H. Foppe
M.J. Drabbe
Th.A.J. Meys
R. van Ommeren
L.D. de Bièvre
P. Ribourdouille
J.H. Geertsema
R.W.J. Groenink
R.W.F. van Tets
J.M. de Jong

Major subsidiaries and associated companies

(unless otherwise stated, the bank's interest is 100% or nearly 100%)

Netherlands

Mees Pierson Holding N.V., Amsterdam
Bank Mees & Hope N.V., The Hague
Pierson, Heldring & Pierson N.V., Amsterdam
Hollandsche Bank-Unie N.V., Rotterdam
Lease Plan Holding N.V., Almere

ABN AMRO Auto Lease B.V., Amsterdam
ABN AMRO Onroerend Goed Holding B.V., Amsterdam
ABN AMRO Participaties B.V., Amsterdam
ABN AMRO PPM B.V., Amsterdam
ABN AMRO Projektontwikkelingsmaatschappij B.V., Amsterdam
ABN AMRO Schadeverzekeringen N.V., Rotterdam
ABN AMRO Trust Company (Nederland) B.V., Amsterdam
ABN AMRO Verzekeringen B.V., Zwolle
Albank B.V., Amersfoort
Alpinvest Holding N.V., Naarden (49%)
Amstel Lease Maatschappij N.V., Utrecht
Auto Lease Holland B.V., Gouda
CMV Bank N.V., Amersfoort (67%)
Consultass B.V., Zwolle
D.W. Brand N.V., Amsterdam
Finata Bank N.V., Utrecht
F. Berger & Co B.V., Amsterdam
IDK Bank N.V., Amsterdam
Interbank N.V., Heemstede
International Factors "De Factorij" B.V., Rotterdam, (IFN Factors)
LeCard C.V., Utrecht (60%)
Nachenius, Tjeenk & Co N.V., Amsterdam
Nederlandsche Credietverzekering Maatschappij nv, Amsterdam (Indirect: 42%)
NLC Autolease B.V., Rijswijk
Rijnlandse Disconto Bank C.V., Utrecht

Associated companies

(the bank's interest generally is 20% or less)

Nederlandse Participatie Maatschappij N.V., Amsterdam
Pacific Investment Holding N.V., Amsterdam (22%)
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., The Hague

For the investments of Mees Pierson Holding N.V. and Lease Plan Holding N.V., the reader is referred to the separate annual reports published by these companies.

For the companies marked with an asterisk (*), section 403 of Book 2 of the Netherlands Civil Code has been applied.

Abroad

Europe

ABN AMRO Bank (België) N.V., Brussels
ABN AMRO Bank (Deutschland) A.G., Cologne
ABN AMRO Bank (Gibraltar) Limited, Gibraltar (74%)
ABN AMRO Bank (Ireland) Limited, Dublin
ABN AMRO Bank (Luxembourg) S.A., Luxembourg
ABN AMRO Bank (Österreich) A.G., Vienna
ABN AMRO Bank (Schweiz) A.G., Zurich
ABN AMRO Bank (Sverige) A.B., Stockholm
ABN AMRO Borsmæglersekskab (Skandinavien) A/S, Copenhagen
ABN AMRO Securities (U.K.) Ltd, London
ABN AMRO SIM, SpA, Rome
ABN AMRO S.A. S.V.B., Madrid (90%)
CM Capital Markets Brokerage S.A., Madrid (49%)
De Neufelize, Schlumberger, Mallet S.A., Paris (80%)
Frankfurter Kreditbank GmbH, Frankfurt
Hoare Govett Ltd., London
Massonaud Fontenay Kervern S.A., Paris (93.5%)
Riada Stockbrokers Limited, Dublin (75%)

Africa

Algemene Bank Marokko S.A., Casablanca (50%)

Middle East

Saudi Hollandi Bank, Riyadh (40%)

Rest of Asia

ABN AMRO Asset Management (Far East) Ltd., Hong Kong
ABN AMRO Bank (Asia) Ltd, Singapore
ABN AMRO Securities (Far East) Ltd, Hong Kong
ABN AMRO Securities (Japan) Limited, Tokyo (50%)
PT ABN AMRO Leasing Indonesia, Jakarta (70%)

Australia

ABN AMRO Australia Limited, Sydney

North America

ABN AMRO Bank Canada, Toronto
ABN AMRO Securities (USA) Inc., New York
ABN AMRO North America Inc., Chicago (holding company)
European American Bank Inc., New York
LaSalle National Bank, Chicago* * voting right 100%, interest in capital 52%
LaSalle National Corporation, Chicago
LaSalle Talman Bank, TSB, Chicago
Pine Tree Capital L.P., New York (60%)

Central and South America

ABN AMRO Trustcompany (Curaçao) N.V., Willemstad
ABN AMRO Bank Asset Management (Curaçao) N.V., Willemstad
ABN Tanner Bank S.A., Santiago de Chile (50%)
Banco Holandês SA, Sao Paulo
De Surinaamsche Bank N.V., Paramaribo (49%)

Associated companies

(the bank's interest is 20% or less)

Banque de la Société Financière Européenne, Paris
International Bank in Poland Inc., Warsaw

Other information

Auditor's report

We have audited the financial statements of ABN AMRO Bank N.V., Amsterdam, The Netherlands, for the year 1992. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands.

In our opinion these statements give a true and fair view of the financial position of the company as at 31 December 1992 and of the result for the year then ended and also comply with the other Dutch legal requirements for financial statements.

Amsterdam, 2 April 1993

Moret Ernst & Young Accountants

STIPULATIONS OF THE ARTICLES OF ASSOCIATION AND PROPOSED PROFIT APPROPRIATION

stipulations of the articles of association with respect to the priority shares

The prior approval of the holders of priority shares is required for resolutions to amend the articles of association or to dissolve the company. The priority shares are held by ABN AMRO Holding N.V.

stipulations of the articles of association with respect to profit appropriation

Profit is appropriated in accordance with article 35 of the articles of association of ABN AMRO Bank N.V., the wording of which is as follows:

Article 35

1. The company may only make distributions to the shareholders and others entitled to the profit available for distribution to the extent that its shareholders' equity exceeds the paid and called portion of the capital plus the reserves which are required by law.
2. The profit shown in the approved annual accounts shall be appropriated as follows:
 - A. If the adopted and approved profit and loss account shows a profit, such additions shall be made to the reserves as the Managing Board shall determine in consultation with the Supervisory Board. The annual accounts having been adopted and approved, first the holders of preference shares shall insofar as possible be paid a dividend of two Dutch guilders and seventy cents (NLG 2.70) per share. Next the holders of priority shares shall be paid a maximum of four per cent of the nominal value of their shares and then the holders of ordinary shares a maximum of five per cent of the nominal value of their shares. Holders of priority and preference shares shall not be paid dividends in addition to those referred to in the preceding sentences.
 - B. The balance then remaining shall be placed at the disposal of the general meeting of shareholders.
3. Subject to the approval of the Supervisory Board, the Managing Board may, at the option of the holders, make the dividend or interim dividend on the ordinary shares payable either in cash or, if authorised to issue shares, entirely or partly in the form of ordinary shares of the company.
4. Subject to the approval of the Supervisory Board, the Managing Board shall be entitled, to the extent that the profit permits as evidenced by an interim balance sheet drawn up with due observance of the provisions of section 105(4) of Book 2 of the Netherlands Civil Code, to distribute an interim dividend on ordinary shares one or more times in the course of a financial year, prior to the approval of the annual accounts by the General Meeting of Shareholders.
5. Subject to the approval of the Supervisory Board, the Managing Board may resolve to make a distribution to the reserves, either in cash or, if authorised to issue shares, entirely or partly in shares.

PROPOSED PROFIT APPROPRIATION
article 35 (2 and 3); in millions of guilders

		1992	1991
Preference share dividend	NLG	0	0
Addition to reserves		1,496	1,355
Ordinary share dividend		128	128
		-----	-----
	NLG	1,624	1,483

Trustees' reports

To the holders of 1986 10-year USD 100,000,000 ABN AMRO Bank N.V. 3.5% debenture stock with warrants 1996.

Pursuant to the stipulations of the relevant trust deed, the undersigned hereby reports on its activities during the financial year ended 31 December 1992.

The following is reported regarding the loan referred to above:

1 The interest on the debenture stock, due 15 September 1992, was paid on time by the debtor.

2 Since no premature repayments were made during the period under review, the outstanding amount of the loan as at 31 December 1992 was USD 100,000,000.

Amsterdam, 4 January 1993

Amsterdamsch Trustee's Kantoor B.V.

G. Hooijschuur

O.B. Linker

Trustees' reports

To the holders of 1985 NLG 400,000,000 ABN AMRO Bank N.V. 5% debenture stock 1991/95, with an outstanding balance of NLG 208,324,000

Pursuant to article 11(2) of the 22 July 1985 trust deed the undersigned, in its capacity as trustee of the loan, hereby reports on its activities during 1992.

1 On 7 July 1992, the second drawing for redemption took place. As a result, the debentures in drawing group 1 to a total nominal amount of NLG 69,310,000 nominal value were drawn for redemption as of 1 September 1992.

2 The result of the draw was announced immediately in the prescribed manner. The debentures still in issue, to a total nominal amount of NLG 208,324,000, relate to drawing groups 2, 3 and 4.

3 No other circumstances arose which called for comment or action on the part of the trustee.

Amsterdam, January 1993

The trustee:
MAATSCHAPPIJ tot beheer van het
ADMINISTRATIEKANTOOR opgericht door
HUBRECHT, van Harencarspel & Vas Visser B.V.

1993 INTERIM REPORT OF ABN AMRO HOLDING N.V.

Interim report 1993

Results

The results of ABN AMRO for the first six months of 1993 show an improvement compared with the figures for the first half of 1992 (net profit for the first half of 1993: NLG 1,012 million; first half of 1992: NLG 872 million; whole of 1992: NLG 1,684 million).

The gross result increased by 13.9 per cent while net profit showed a growth of 16.1 per cent. Taking into account the dividend entitlement of holders of preference shares, the profit available to holders of ordinary shares is 17.8 per cent higher at NLG 926 million.

Earnings per share, after an increase in the number of issued ordinary shares, grew 12.1 per cent from NLG 2.89 to NLG 3.24.

Total income rose by 9.8 per cent to NLG 6,783 million. Interest income increased by 7.1 per cent to NLG 4,366 million.

Commission income rose by 11.1 per cent to NLG 1,730 million. This was largely attributed to the international network, where considerable growth in commission income was recorded in all categories. In the Netherlands, income from securities transactions and payment services was higher.

Other income rose strongly overall (+25.6 per cent) to NLG 687 million. This was the net effect of a sharp rise in income from securities trading (+ NLG 168 million) and foreign exchange dealing (+ NLG 65 million) and a decline in other income. The latter development was due to a provision for debt securities in the United States.

Costs rose by 7.8 per cent to NLG 4,494 million.

In view of the growth in lending, the addition to the provision for general contingencies was increased from NLG 700 million to NLG 750 million. The additions to specific provisions for bad debts were increased both in the Netherlands and abroad. In contrast to the first half of 1992, however, no additional provisions for country risks were formed.

The tax burden increased slightly from 31.7 per cent in the first half of 1992 to 32.1 per cent in the first half of 1993.

The results of the international network for the first six months of 1993 have been translated at exchange rates which were on average lower than in the corresponding period in 1992. The adverse effect this had on the gross result was approximately NLG 12 million. A substantial part of this movement was attributable to pound sterling. The average value of the bank's principal foreign currency, the US dollar, remained unchanged (NLG 1.82).

Analysis of commission income (in millions of guilders)

	1st half 1993	2nd half 1992	1st half 1992	+/- in % 1st half 1993/1992
Payments	582	561	532	9.4
Insurance	135	124	153	-11.8
Securities	707	630	594	19.0
Other	306	262	278	10.1
Total	1,730	1,577	1,557	11.1

Analysis of other income (in millions of guilders)

	1st half 1993	2nd half 1992	1st half 1992	+/- in % 1st half 1993/1992
Foreign exchange dealing	314	348	249	26.1
Securities trading	294	-38	126	133.3
Project development	28	35	27	3.7
Non-consolidated subsidiaries and associated companies, miscellaneous	51	107	145	-64.8
Total	687	452	547	25.6

The share of the international network in the overall gross result was 40.1 per cent (first half of 1992: 38.4 per cent).

Results in the Netherlands

In the domestic network, the gross result rose by 10.7 per cent to NLG 1,370 million. Income was 7.5 per cent higher.

Interest income rose slightly as a result of a higher lending volume on the one hand and a reduced interest margin on the other.

The higher commission income was the net result of higher income from securities activities and payment services and lower income from insurance.

Other income increased, mainly as a result of substantially higher capital gains on securities activities. The contribution from foreign exchange dealing was also significantly higher.

Number of employees

	30 June 1993	31 Dec. 1992	30 June 1992	movement	
	(1)	(2)	(3)	(1):(2)	(1):(3)
Domestic network	37,953	37,883	38,003	70	-50
International network	22,384	21,756	21,239	628	1,145
Total	60,337	59,639	59,242	698	1,095

Costs rose by 6.0 per cent. The increase in employment costs was restricted to 3.9 per cent. Other expenses and depreciation together rose by 9.4 per cent, partly because of investment grants no longer being available. The number of staff in the Netherlands as at 30 June 1993 was 37,953. Although the integration process is proceeding according to plan, the achievement of the associated staff savings has suffered a slight setback. We continue to believe, however, that the merger savings in the Netherlands will amount to NLG 500 million annually from 1995 onwards.

Results abroad

Outside the Netherlands, interest income and commission income both increased. In contrast, there was a slight fall in other income, so that income turned out 13.1 per cent higher overall, while expenses rose 10.4 per cent. The gross result outside the Netherlands improved by 19.0 per cent to NLG 919 million.

Geographical analysis of gross result (in millions of guilders)

	1st half 1993	2nd half 1992	1st half 1992	+/- in % 1st half 1993/1992
Domestic network	1,370	1,263	1,238	10.7
International network				
Europe	360	169	188	91.5
North America	370	398	413	-10.4
Central and South America	44	20	38	15.8
Middle East, Far East and Africa	145	105	133	9.0
	919	692	772	19.0
Total	2,289	1,955	2,010	13.9

Geographical analysis of total assets (in billions of guilders)

	30 June 1993	31 Dec. 1992	30 June 1992
Domestic network	298.5	288.9	281.7
International network			
Europe	82.6	72.0	72.4
North America	75.2	68.7	61.1
Central and South America	5.3	5.0	5.1
Middle East, Far East and Africa	30.4	25.7	25.2
	193.5	171.4	163.8
Total	492.0	460.3	445.5

In North America, the gross result fell 10.4 per cent to NLG 370 million. This was due to a provision for debt securities in the United States. Eliminating the effect this had, the gross result showed a substantial improvement.

In the Middle East, Far East and Africa, gross profit was up 9.0 per cent at NLG 145 million.

The gross result in Europe was substantially higher at NLG 360 million (+91.5 per cent). The improvement was seen in nearly every country. The stockbroking subsidiaries also contributed to the

higher results thanks to the buoyant stock market climate.

A significant improvement in profits in Argentina lifted the gross result for Central and South America by 15.8 per cent to NLG 44 million.

Balance sheet

The consolidated balance sheet total as at the end of June 1993 amounted to NLG 492.0 billion, representing growth of 6.9 per cent compared with

Geographical analysis of lending (in billions of guilders)

	30 June 1993	31 Dec. 1992	30 June 1992
Domestic network	171.9	165.4	157.6
International network			
Europe	51.4	45.0	49.2
North America	45.7	41.8	37.7
Central and South America	3.5	3.1	2.8
Middle East, Far East and Africa	17.8	14.8	14.3
	118.4	104.7	104.0
Total	290.3	270.1	261.6

the figure of NLG 460.3 billion as at 31 December 1992 and 10.5 per cent compared with the NLG 445.5 billion as at 30 June 1992.

Of the increase of NLG 31.7 billion compared with 31 December 1992, roughly NLG 23.5 billion was achieved by organic growth and about NLG 8.2 billion was due to currency movements. The exchange rate of the US dollar as at 30 June 1993 (NLG 1.89) was higher than that prevailing at the end of 1992 (NLG 1.81). Growth abroad exceeded growth in the Netherlands.

Shareholders' equity increased as a result of the stock dividend, the exercise of staff rights and retention of earnings. The exchange differences reserve also benefited from higher exchange rates. The combined effect was a rise in shareholders' equity to NLG 17.0 billion (year-end 1992: NLG 16.1 billion).

The number of ordinary shares issued rose to 285.5 million as a result of the stock dividend (+5.6 million shares) and the exercise of staff rights (+2.2 million shares). The number of ABN AMRO Holding N.V. preference shares remained unchanged at 362.5 million.

The sum of group equity and subordinated loans increased by NLG 1.1 billion, or 4.1 per cent, to NLG 28.2 billion in the first six months of 1993. In addition to the movement in shareholders' equity

referred to, subordinated loans were increased by NLG 0.2 billion to NLG 10.2 billion.

Lending rose 7.5 per cent in the first half from NLG 270.1 billion to NLG 290.3 billion. The bulk of this increase was accounted for by private sector lending (+NLG 16.5 billion), NLG 11.8 billion of which was made up of advances against securities.

In the domestic network, private sector lending rose 2.9 per cent to NLG 136.3 billion. This growth was mainly accounted for by lending to retail customers.

In the international network, private sector lending grew by 12.9 per cent to NLG 111.4 billion.

Funds entrusted increased by 3.0 per cent to NLG 256.8 billion. In the domestic network, the increase was 1.4 per cent to NLG 174.7 billion. This growth related mainly to creditors. In the international network, funds entrusted rose 6.8 per cent to NLG 82.1 billion.

Analysis of lending and funds entrusted in the domestic and international networks (in billions of guilders)

	30 June 1993	31 Dec. 1992	30 June 1992	movement in %	
	(1)	(2)	(3)	(1):(2)	(1):(3)
Domestic network					
Lending					
Public sector	35.6	32.9	29.4	8.2	27.1
Private sector	136.3	132.5	128.2	2.9	6.3
	171.9	165.4	157.6	3.9	9.1
Funds entrusted					
Savings accounts	57.9	57.0	57.1	1.3	1.4
Deposits	54.1	54.4	47.1	-0.6	14.9
Creditors	62.7	60.9	58.5	3.0	7.2
	174.7	172.3	162.7	1.4	7.4
International network					
Lending					
Public sector	7.0	6.0	4.3	16.7	62.8
Private sector	111.4	98.7	99.7	12.9	11.7
	118.4	104.7	104.0	13.1	13.8
Funds entrusted					
Savings accounts	20.4	17.5	16.4	16.6	24.4
Deposits	39.3	36.6	36.0	7.4	9.2
Creditors	22.4	22.8	21.6	-1.8	3.7
	82.1	76.9	74.0	6.8	10.9
Total group					
Lending					
Public sector	42.6	38.9	33.7	9.5	26.4
Private sector	247.7	231.2	227.9	7.1	8.7
	290.3	270.1	261.6	7.5	11.0
Funds entrusted	256.8	249.2	236.7	3.0	8.5

The figures as at 31 December 1992 and 30 June 1992 have been adjusted for comparison purposes.

Financial ratios

The ratio of income to expenses improved both in the Netherlands and abroad, standing at 1.51 compared with 1.48 in 1992.

ABN AMRO Bank comfortably meets the capital adequacy standards stipulated by De Nederlandsche Bank (the Dutch central bank). The capital adequacy criteria are based on the ratio system

(BIS ratios) set forth in European Directives and the Basle Accord. The core capital stands at 6.12 per cent (year-end 1992: 5.91 per cent) of the risk-weighted assets. The internationally agreed minimum standard is 4 per cent. The total risk-weighted capital ratio amounts to 10.22 per cent (year-end 1992: 9.88 per cent) of the risk-weighted total assets, compared with a minimum standard of 8 per cent.

Interim dividend

Having obtained the approval of the Supervisory Board, the Managing Board of ABN AMRO Holding N.V. has resolved to declare an interim dividend of NLG 1.45 per ordinary share of NLG 5 nominal value in respect of the first six months of 1993. In 1992, the interim dividend was NLG 1.40.

The interim dividend may be taken at the shareholder's option either entirely in cash or NLG 0.25 in cash and a distribution of ordinary shares charged to the share premium reserve in the ratio of one new share for every fifty ordinary shares held.

The new ordinary shares will rank for the final dividend for the 1993 financial year and the full dividend for subsequent financial years.

The interim dividend will be payable as of 8 September 1993. From 25 September onwards, the dividend will be payable exclusively in cash.

Outlook

In the first six months, interest rates in the Netherlands showed a significant drop, with short interest rates falling faster than long rates. We expect to see a further fall, especially in short rates, in the second half; we also expect the interest margin to stabilise at around the average level for the first six months.

At this point in time we do not see any upturn in the economies of the Netherlands and the rest of Europe. Ongoing caution with regard to lending will accordingly be necessary. We do not expect demand for credit in Europe to increase substantially in the second six months either.

The development of the American economy is mixed. Overall we expect to see modest growth. Provided the still favourable yield curve is sustained and the US dollar maintains its present value we again expect our American activities to make a substantial profit contribution.

In view of the buoyant stock market climate in July and August we expect income from our securities activities in the Netherlands and abroad to be maintained at a reasonable level.

Given the economic climate, specific bad debt provisions in the first half of 1993 were within acceptable limits. It is impossible to say, however, whether this will continue to be the case in the second half.

Bearing in mind the above and barring unforeseen circumstances we forecast an increase in both the gross result and net profit for the whole of 1993. We also expect earnings per share to be higher, even allowing for the increase in the number of ordinary shares in issue.

Issue

Finally, we announce our intention to issue 20 million preference shares convertible into ordinary shares in September at an issue price close to the quoted price of the ordinary shares.

This issue, the precise details of which will be announced at a later date, will give pre-emptive rights to holders of ordinary shares. These convertible preference shares will not take the form of depositary receipts.

A proposal to amend the articles of association of ABN AMRO Holding N.V. will be submitted to the Extraordinary General Meeting of Shareholders to be convened in due course.

Consolidated profit and loss account for the first half 1993 (in millions of guilders)

	1st half 1993	2nd half 1992	1st half 1992	+/- in % 1st half 1993/1992
Income				
Interest	4,366	4,074	4,076	7.1
Commission	1,730	1,577	1,557	11.1
Other income	687	452	547	25.6
	6,783	6,103	6,180	9.8
Expenses				
Salaries, pension and social insurance charges	2,656	2,428	2,493	6.5
Other expenses	1,497	1,411	1,380	8.5
Depreciation of fixed assets	341	309	297	14.8
	4,494	4,148	4,170	7.8
Gross result	2,289	1,955	2,010	13.9
Addition to Provision for general contingencies	750	700	700	7.1
	1,539	1,255	1,310	17.5
Profit before tax	1,539	1,255	1,310	17.5
Taxation	494	432	415	19.0
	1,045	823	895	16.8
Group profit	1,045	823	895	16.8
Third-party interests	33	11	23	43.5
	1,012	812	872	16.1
Net profit	1,012	812	872	16.1
Net profit per ordinary share of NLG 5* (in guilders)	3.24	2.61	2.89	12.1

* calculated on the basis of the average number of shares in issue weighted according to dividend entitlement and adjusted for increases in capital.

The half-year figures are not audited.

Consolidated balance sheet as at 30 June 1993 (in millions of guilders)

	30 June 1993	31 Dec. 1992	30 June 1992	+/- in % 30 June 1993/1992
Cash and money at call	14,889	14,238	12,124	22.8
Treasury paper	11,312	11,412	14,590	-22.5
Banks	111,668	111,273	111,594	0.1
Securities and syndicates	58,357	48,502	39,433	48.0
Advances against treasury paper and/or securities	28,576	16,746	17,169	66.4
Bills receivable	4,892	4,586	4,597	6.4
Amounts receivable from or guaranteed by public authorities	42,601	38,930	33,757	26.2
Debtors	211,979	206,997	204,723	3.5
Investments in and receivables from subsidiaries and associated companies	1,582	1,641	1,606	-1.5
Property and equipment	6,190	5,982	5,865	5.5
	492,046	460,307	445,458	10.5
Share capital, issued and paid-up	3,240	3,201	3,167	2.3
Reserves	13,742	12,873	12,301	11.7
Shareholders' equity	16,982	16,074	15,468	9.8
Third-party interests	1,027	987	974	5.4
Group equity	18,009	17,061	16,442	9.5
Subordinated loans	10,185	9,997	9,771	4.2
Group equity and subordinated loans	28,194	27,058	26,213	7.6
Debt securities and non-subordinated loans	49,255	50,232	50,935	-3.3
Savings accounts	78,285	74,502	73,522	6.5
Deposits	93,427	91,010	83,147	12.4
Creditors	85,092	83,673	80,070	6.3
Banks	109,464	99,882	99,444	10.1
Other funds borrowed	48,329	33,950	32,127	50.4
	492,046	460,307	445,458	10.5
Commitments with respect to guarantees granted	35,055	35,761	32,936	6.4
Commitments with respect to irrevocable letters of credit	6,735	6,533	6,155	9.4
Commitments with respect to recourse risks arising from discounted bills	826	838	610	35.4
Commitments with respect to irrevocable facilities	52,733	51,346	53,553	-1.5

The balance sheets are after profit appropriation.

The half-year figures are not audited.

The balance sheet figures as at 31 December 1992 and 30 June 1992 have been adjusted for comparison purposes.

ABN AMRO: five years in figures

	1992	1991	1990	1989	1988
Balance sheet (in billions of guilders)					
Group equity and subordinated loans	27.1	24.9	23.1	20.3	18.3
Debt securities and non-subordinated loans	50.2	50.3	51.6	48.3	47.9
Savings accounts, deposits and creditors	249.2	221.0	209.9	182.2	160.3
Funds borrowed from banks	99.9	92.8	87.4	83.8	91.0
Public sector lending	38.9	33.4	32.4	32.0	38.8
Private sector lending 1	231.2	210.3	197.9	177.0	157.3
Balance sheet total	460.3	415.1	393.3	352.9	338.4
Off-balance-sheet commitments 2	94.5	88.9	88.1	90.0	30.5
Results (in millions of guilders)					
Income	12,283	11,319	10,010	9,297	8,569
Expenses	8,318	7,665	6,929	6,188	5,782
Gross result	3,965	3,654	3,081	3,109	2,787
Addition to Provision for general contingencies	1,400	1,320	1,200	1,170	1,140
Group profit	1,718	1,560	1,392	1,464	1,217
Net profit 3	1,684	1,536	1,325	1,422	1,198
Dividend	968	928	778	684	604
Key figures					
Income/expenses ratio	1.48	1.48	1.44	1.50	1.48
Return on Shareholders' equity (in %)	11.1	10.4	10.0	11.7	10.7
Figures per ordinary share of NLG 5 nominal value (in guilders) 4					
Net profit	5.50	5.22	5.02	5.93	5.42
Dividend	2.90	2.89	2.89	2.84	2.68
Payout ratio	52.6	55.4	57.5	47.8	49.4
Net asset value as at year-end	51.35	51.17	50.23	53.85	51.45
Number of employees					
Domestic network	37,883	38,670	40,140	40,413	39,778
International network	21,756	18,077	17,912	13,717	12,418
Total	59,639	56,747	58,052	54,130	52,196
Number of branches					
Domestic network	1,429	1,462	1,474	1,477	1,477
International network	523	466	458	413	382

The figures for 1988 and 1989 have been obtained by combining the consolidated figures of ABN Bank and AMRO Bank. The valuation of assets and liabilities is in accordance with the accounting policies of the two banks as at year end 1989.

1. The total of the balance sheet items Advances against treasury paper and/or securities, Bills receivable, Debtors and other debt securities in the item Securities and syndicates.

2. The figures for 1988 exclude Commitments arising from irrevocable facilities.

3. 1989: profit before extraordinary income of NLG 122.

4. Based on the average number of ordinary shares in issue, weighted according to dividend entitlement and adjusted for new share issues.

The figures for 1992 have been adjusted for comparison purposes.

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J.D. Hooglandt, Vice Chairman
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C.T. van der Molen
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W. Dekker
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F.A. Maljers
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Managing Board

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R.W.F. van Tets
J.M. de Jong

Secretary

H.P.A. van Wensen

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ABN AMRO Holding N.V., having its registered
office in Amsterdam, the Netherlands, and entered
in the Trade Register of the Amsterdam Chamber
of Commerce under no. 220369

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**ABN AMRO Bank N.V.,
New York Branch**

**Deposit Notes, Series A
Subordinated Deposit Notes, Series B**

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