

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your ABN AMRO Ordinary Shares, you should send this document and the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. However, the distribution of this document and any accompanying documents into certain jurisdictions may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. In particular, such documents should not be distributed, forwarded to or transmitted in or into any Restricted Jurisdiction or any other jurisdiction where the extension or availability of the Offers would breach any applicable law.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NEW RBS ORDINARY SHARES TO BE ISSUED IN CONNECTION WITH THE OFFERS OR HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This document is not for distribution into the United States. Offers and sales of the New RBS Ordinary Shares outside of the United States are being made pursuant to Regulation S under the Securities Act. Offers and sales of the New RBS Ordinary Shares to U.S. Holders are covered by the U.S. Prospectus. Offers and sales of the New RBS Ordinary Shares outside the United States are not covered by the U.S. Prospectus. No copy of this document may be mailed, communicated or distributed in the United States or to U.S. Holders in any manner. Any acceptance of the Offers that would result, directly or indirectly, in a violation of this restriction will be null and void. Each ABN AMRO Shareholder acquiring New RBS Ordinary Shares in the Offer pursuant to the Offer Document will be deemed to have represented and warranted that it has acquired the New RBS Ordinary Shares in an "Offshore transaction" as such term is defined in Regulation S.

A copy of this document, which comprises a supplementary prospectus relating to RBS prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000, has been filed with the FSA and has been made available to the public as required by section 3.2 of the Prospectus Rules.



The Royal Bank of Scotland Group plc

(incorporated under the Companies Acts 1948 to 1967 and registered with Registered No. SC45551)

**Proposed issue of up to 556,143,700 ordinary shares of 25 pence each in
The Royal Bank of Scotland Group plc**

and

**Proposed admission of up to 556,143,700 ordinary shares in
The Royal Bank of Scotland Group plc to the Official List and to
trading on the market for listed securities of the London Stock Exchange**

**Sponsor and Financial Adviser
Merrill Lynch International**

Application will be made to the FSA for the New RBS Ordinary Shares to be admitted to the Official List, and to the London Stock Exchange for the New RBS Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission to the Official List and the London Stock Exchange will become effective, and that dealings in the New RBS Ordinary Shares will commence, shortly following the date on which it is announced that all conditions to the Offers have been satisfied or, to the extent legally permitted, waived.

The whole of this Supplementary Prospectus should be read. This Supplementary Prospectus is supplementary to the Prospectus dated 20 July 2007. Accordingly this document should be read in conjunction with the Prospectus.

Investors should rely only on the information contained in the Prospectus, this document and the Offer Document. No person has been authorised to give any information or make any representations other than those contained in the Prospectus and this document and, if given or made, such information or representation must not be relied upon as having been so authorised. RBS will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Subject to certain exceptions, this document and any accompanying documents are not being made available to ABN AMRO Shareholders with registered addresses in Australia or Japan and may not be treated as an offer of any New RBS Ordinary Shares to any person resident or located in such jurisdictions or another Restricted Jurisdiction.

Any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or any accompanying documents to any Restricted Jurisdiction should read paragraph 11 entitled "Offering Restrictions" in Part XXIV of the Prospectus.

Merrill Lynch International which is authorised and regulated in the United Kingdom by the FSA, is acting as financial adviser to Fortis, RBS and Santander and as underwriter for Fortis, RBS and Santander and is acting for no one else in connection with the Offers and will not be responsible to anyone other than Fortis, RBS and Santander for providing the protections afforded to customers of Merrill Lynch International or for providing advice to any other person in relation to the Offers.

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PART I

SUPPLEMENTAL SUMMARY

The following summary information should be read in conjunction with the Summary as set out on pages 6 to 13 of the Prospectus, as an introduction to and in conjunction with, the full text of this document and the Prospectus.

Any investment decision relating to RBS, the Transaction and/or the Offer should be based on consideration of this document as a whole and the Prospectus as a whole. Investors should also consider, as appropriate, the Offer Document or the RBS Shareholder Circular. Where a claim relating to information contained in this document is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

1 UNAUDITED INTERIM FINANCIAL INFORMATION RELATING TO RBS

On 3 August 2007, RBS published the unaudited interim financial information for RBS for the six months ended 30 June 2007, in accordance with IFRS, a summary of which follows:

2007 FIRST HALF HIGHLIGHTS

- *Group operating profit up 11 per cent. to £5,106 million.
- Profit after tax up 20 per cent. to £3,736 million.
- Adjusted earnings per ordinary share up 21 per cent. to 38.4p.
- Interim dividend up 25 per cent. to 10.1p.
- Income up 8 per cent. to £14,690 million (10 per cent. at constant exchange rates).
- UK income up 10 per cent. to £10.9 billion.
- International income £3.8 billion, up 10 per cent. at constant exchange rates.
- Cost:income ratio down to 41.4 per cent. from 41.9 per cent.
- Impairment losses improved to 0.40 per cent. of loans and advances.
- At constant exchange rates, Group operating profit up 13 per cent.
- Average loans and advances to customers up 9 per cent.
- Average customer deposits up 10 per cent.
- Adjusted return on equity 19.6 per cent., up from 18.5 per cent.
- Tier 1 capital ratio 7.4 per cent.
- Total capital ratio 12.5 per cent.

* profit before tax, purchased intangibles amortisation and integration costs.

THE ROYAL BANK OF SCOTLAND GROUP plc

RESULTS SUMMARY

	First half 2007 £m	First half 2006 £m	Increase £m	Full year 2006 £m
Total income	14,690	13,642	1,048	28,002
Operating expenses ⁽¹⁾	6,298	5,948	350	12,252
Operating profit before impairment losses ⁽¹⁾	5,977	5,490	487	11,292
Group operating profit ⁽²⁾	5,106	4,603	503	9,414
Purchased intangibles amortisation	43	49	(6)	94
Integration costs	55	43	12	134
Profit before tax	5,008	4,511	497	9,186
Cost:income ratio ⁽³⁾	41.4%	41.9%		42.1%
Basic earnings per ordinary share	37.6p	31.0p	6.6p	64.9p
Adjusted earnings per ordinary share ⁽⁴⁾	38.4p	31.7p	6.7p	66.7p

(1) excluding purchased intangibles amortisation and integration costs.

(2) profit before tax, purchased intangibles amortisation and integration costs.

(3) the cost:income ratio is based on total income and operating expenses as defined in (1) above, and after netting operating lease depreciation against rental income.

(4) adjusted earnings per ordinary share is based on earnings adjusted for purchased intangibles amortisation and integration costs.

2 UNAUDITED INTERIM FINANCIAL INFORMATION RELATING TO ABN AMRO

On 30 July 2007, ABN AMRO published the unaudited interim financial information for ABN AMRO for the six months ended 30 June 2007, in accordance with IFRS. The following is the full text of the summary of the results as set out in the press release dated 30 July 2007 relating to the ABN AMRO results for the six months ended 30 June 2007:

Strong operating performance in conditions of corporate uncertainty

- **Increase in first half operating result**

- Reported revenue growth of 12.6 per cent.; adjusted operating revenue growth of 14.3 per cent. driven by increases in all Business Units (BUs), supported by a strong performance of the BU Global Markets
- Reported operating expenses up 14.0 per cent.; adjusted operating expenses up 8.6 per cent., well below the growth in revenues
- Reported operating result up 9.1 per cent., reported efficiency ratio up 0.9 per cent.; adjusted operating result up 29.1 per cent., leading to a 3.6 percentage-point improvement in the adjusted efficiency ratio to 68.5 per cent.
- Reported profit for the period down 1.4 per cent.; adjusted profit for the period up 13.4 per cent. to EUR 2,390 million despite higher taxes and loan loss impairments, as a result of a strong performance of the BUs Asia, Latin America and Europe, supported by Global Markets and Transaction Banking
- BU Global Markets profit for the period EUR 730 million, an increase of 94.1 per cent.

- **Second quarter operating result increased further**

- Reported operating income up 4.6 per cent.; adjusted operating income up 3.1 per cent., driven by the BUs Europe and Latin America, supported by further growth in Global Markets and Global Clients

- Reported operating expenses down 4.0 per cent.; adjusted operating expenses up 3.5 per cent.
- Reported operating result increased 30.9 per cent.; adjusted operating result up 2.2 per cent. following a strong first quarter
- Antonveneta results below expectations; actions and initiatives reinforced to improve revenue growth
- **Well on track to beat the 2007 EPS target of EUR 2.30 on an adjusted basis**
 - Core tier 1 ratio 6.12 per cent. and tier 1 ratio 8.17 per cent., well above the year-end targets of 6 per cent. and 8 per cent.
 - Interim dividend 2007 of EUR 0.58, up 3 cents or 5.5 per cent.

3 ADDITIONAL INFORMATION

3.1 Results of the Banks' Extraordinary General Meetings

At the respective extraordinary general meetings of the Banks, all resolutions proposed in connection with the Transaction were passed.

PART II

OTHER INFORMATION

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

FORWARD-LOOKING STATEMENTS

The Prospectus and this document contains or incorporates by reference “forward-looking statements” regarding the intent, belief or current expectations of RFS Holdings, Fortis, RBS, Santander, ABN AMRO and their respective directors and officers about RFS Holdings, Fortis, RBS, Santander or ABN AMRO, their respective businesses and the transactions described in this document. Generally, words such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of RFS Holdings, Fortis, RBS, Santander or ABN AMRO and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied from the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among other factors:

- costs (including taxes) or difficulties related to the integration of acquisitions, including the proposed acquisition of ABN AMRO, may be greater than expected;
- the risk of unexpected consequences resulting from acquisitions, including the proposed acquisition of ABN AMRO;
- RBS’s ability to achieve revenue benefits and cost savings from the integration of certain of ABN AMRO’s businesses and assets;
- Fortis’s, RBS’s, Santander’s and RFS Holdings’ ability to obtain regulatory approvals for the proposed acquisition of ABN AMRO without materially onerous conditions;
- any change-of-control provisions in ABN AMRO’s agreements that might be triggered by the transactions described in this document;
- the potential exposure of RBS and ABN AMRO to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated;
- general economic conditions in the European Union, in particular in the United Kingdom, the Netherlands, Belgium and Spain and in other countries in which RBS or ABN AMRO have business activities or investments, including the United States;
- the monetary and interest rate policies of central banks, in particular the Bank of England, the Dutch Central Bank, the Central Bank of Belgium, the Bank of Spain, the European Central Bank, the Board of Governors of the U.S. Federal Reserve System and other G-7 central banks;
- changes or volatility in interest rates, foreign exchange rates (including the exchange rates between Sterling, US Dollar and euros), asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition and consolidation in the markets in which RBS or ABN AMRO operate, which may be influenced by regulation, deregulation or enforcement policies;
- tax consequences of restructuring;
- changes in consumer spending and savings habits, including changes in government policies which may influence investment decisions;

- changes in applicable laws, regulations and taxes in jurisdictions in which RBS and ABN AMRO operate, including the laws and regulations governing the structure of the transactions described in this document, as well as actions or decisions by courts and regulators;
- natural and other disasters;
- the inability of RBS or ABN AMRO to hedge certain risks economically;
- the adequacy of RBS's or ABN AMRO's impairment provisions and loss reserves;
- technological changes; and
- the success of RBS and/or ABN AMRO in managing the risks involved in the foregoing.

These statements are further qualified by the risk factors disclosed in or incorporated by reference in the Prospectus that could cause actual results to differ materially from those in the forward-looking statements. See "Risk Factors" in Part II of the Prospectus.

The statements relating to the revenue benefits, costs savings, adjusted earnings per share, returns on investment, internal rates of return, capital ratios and business growth opportunities the Banks expect to achieve following the transactions described in the Prospectus and this document are based on assumptions. However, these expected revenue benefits, cost savings, adjusted earnings per share, returns on investment, internal rates of return, capital ratios and business growth opportunities may not be achieved. There can be no assurance that the Banks will be able to implement successfully the strategic and operational initiatives that are intended.

These forward-looking statements speak only as at the date of this document. Except as required by the FSA, the London Stock Exchange, the Part VI Rules or applicable law, RBS does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Except as required by the FSA, the London Stock Exchange, the Part VI Rules or applicable law, RBS expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in RBS's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

NOTICE

This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any New RBS Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction and is not for distribution in or into any Restricted Jurisdiction, except as determined by the Company in its sole discretion and pursuant to applicable laws.

None of RBS, Merrill Lynch, or their respective representatives is making any representation to any offeree or purchaser of the New RBS Ordinary Shares offered hereby regarding the legality of an investment by such offeree or purchaser under appropriate investment or similar laws. Each investor should consult with his, her or its own advisers as to the legal, tax, business, financial and related aspects of purchase or subscription of the New RBS Ordinary Shares.

PRESENTATION OF INFORMATION ON ABN AMRO

This document contains certain information relating to ABN AMRO and the ABN AMRO Group, including the information contained in Part III, headed "Unaudited interim financial information relating to ABN AMRO".

This information has been compiled from information published by ABN AMRO and has not been commented on or verified by ABN AMRO. RBS confirms that such information has been accurately reproduced from such sources and, so far as RBS is aware and is able to ascertain from information published by ABN AMRO, no facts have been omitted which would render the reproduced information inaccurate or misleading. Please also see the risk factor "The Banks have conducted only a limited due diligence review of ABN AMRO and, therefore, RBS may become subject to unknown liabilities of ABN AMRO, which may have an adverse effect on RBS's financial condition and results of operations" on page 15 in Part II of the Prospectus which applies equally to information contained in this Supplementary Prospectus.

NO INTERNET SITE IS PART OF THIS SUPPLEMENTARY PROSPECTUS

Each of Fortis, RBS, Santander and ABN AMRO maintains an internet site. The Fortis internet site is at <http://www.fortis.com>. The RBS internet site is at <http://www.rbs.com>. The Santander internet site is at <http://www.santander.com>. The ABN AMRO internet site is at <http://www.abnamro.com>. In addition, the Banks have established an internet site for the Offers which is accessible through each of the Banks' websites. Information contained in or otherwise accessible through these internet sites is not a part of this Supplementary Prospectus. All references in this Supplementary Prospectus to these internet sites are inactive textual references to these internet addresses and are for your information only.

PART III

UNAUDITED INTERIM FINANCIAL INFORMATION RELATING TO RBS

The following is the unaudited interim financial information for RBS for the six months ended 30 June 2007 which has been extracted, without material adjustment, from the press release dated 3 August 2007 relating to the RBS results for the six months ended 30 June 2007.

GROUP CHIEF EXECUTIVE'S REVIEW

Our Group has consistently demonstrated its ability to deliver organic growth in income, profit and earnings per share and we have done so once again in the first half of 2007, with a strong performance from our range of diversified businesses. Total income rose to £14,690 million, up 8 per cent., operating profit increased by 11 per cent. to £5,106 million and adjusted earnings per share by 21 per cent. to 38.4p.

Income growth has been built on increasing customer activity across our core franchises. Each of our divisions faces different market conditions, but across the Group as a whole we have grown average customer deposits by 10 per cent. and lending by 9 per cent., demonstrating the resilience of our operating model. Adverse movements in exchange rates have affected not only Citizens but also Corporate Markets and Wealth Management. In constant currency terms, we grew income by 10 per cent. and operating profit by 13 per cent..

We have also expanded our product capabilities and broadened our geographical footprint, with excellent results from Corporate Markets, Wealth Management and Ulster Bank. We have made particularly good progress in Asia, where we more than doubled income, benefiting from the investments we are making in building our franchise.

Income growth has been accompanied by good cost discipline. In the first half the Group cost:income ratio improved further to 41.4 per cent.. Our customer-facing divisions have directed investment towards faster-growth opportunities while tightly managing their direct costs. Our Manufacturing division held infrastructure and support cost growth to just 2 per cent. while supporting increased business volumes.

Strong credit metrics highlight our conservative risk profile across the Group, and impairment losses fell 2 per cent. to £871 million. The quality of our corporate loan portfolio remains very strong, and we believe that we have passed the peak of bad debts in the UK unsecured personal credit market. Our early action to tighten lending criteria and reduce activity in the direct loan market is now reflected in falling arrears and a 7 per cent. reduction in Retail impairment losses. Our trading book risk remains modest.

Many of our customers' homes have been damaged by the severe flooding the UK has experienced over the last two months, and we have been working hard to process their claims as quickly as possible and assist them at this difficult time. This has, naturally, affected RBS Insurance's results, with June flood claims estimated to have cost a net £125 million. Had it not been for this factor, our Group operating profit would have grown by 16 per cent. on a constant currency basis.

Adjusted earnings per share increased by 21 per cent. to 38.4p, driven by our strong operating performance, a reduction in the number of shares in issue following last year's share buyback, and an effective tax rate of 25.4 per cent. in the first half of 2007. This tax rate includes the full impact on deferred tax of the change in the UK corporation tax rate from April 2008. Excluding this deferred tax reduction, adjusted earnings per share rose by 16 per cent..

Adjusted return on equity improved to 19.6 per cent., or to 18.7 per cent. excluding the deferred tax reduction.

Our businesses

These very good results endorse the strength of our business model and emphasise the importance of diversity in our sources of income. They also reflect the measured investments we have made over recent years to take advantage of growth opportunities across our businesses. In each of our divisions we have achieved good growth in core customer numbers, underpinning these results and strengthening our franchise for the future.

Our businesses have continued to balance volume growth against profitability, and we have maintained a more cautious approach towards a number of business segments in which we have not considered that the available returns matched the costs and risks entailed. We have, therefore, further reduced our business volumes in markets such as direct loans, intermediary mortgages and insurance partnerships, with a consequent improvement in profitability.

Global Banking & Markets has produced another strong performance, as its expanding product set and broadening geographical footprint have yielded a 19 per cent. increase in operating profit, while UK Corporate Banking has maintained its consistently good pace of growth. Ulster Bank and Wealth Management, too, have kept up their momentum, and we are continuing to invest in these high-growth businesses.

Retail Markets has continued to build its core current account franchise, providing the platform for strong growth in its savings and investments business. Lending growth has been more subdued but our cautious credit stance has produced a reduction in impairment losses, and this, together with flat underlying costs, drove a 10 per cent. increase in operating profit.

Citizens has increased its customer numbers by 5 per cent. and made significant progress in its efforts to diversify its income streams away from its traditional deposit products, with good growth in credit cards and merchant acquiring. That diversification has emphatically not included the sub-prime credit markets, and we have no regrets over our decision to avoid this segment. Average corporate lending increased by 12 per cent., demonstrating the momentum we are building towards our objective of developing a significant corporate and commercial banking presence in the US. Operating profit rose by 2 per cent. in US dollar terms.

RBS Insurance has also performed well in the first half. Whilst its headline operating profit is lower, reflecting the £125 million net cost of the June floods, its underlying performance shows a meaningful improvement. In our own-brand businesses we have increased prices and improved risk selection while holding volumes steady, with the result that operating profit in this segment rose by 10 per cent., excluding the flood effect. In our partnership operations, where we provide underwriting and processing services to third party distributors, we have put profitability ahead of volume, exiting some low-margin partnership contracts.

Capital

We have managed our balance sheet carefully, generating capital to fund a 9 per cent. increase in risk-weighted assets since 30 June 2006 while holding our Tier 1 ratio at 7.4 per cent., in the middle of our target range of 7-8 per cent.. The Financial Services Authority has endorsed our Basel II programme and we will be among the small group of financial institutions permitted to use the advanced approach to credit risk management when the new capital adequacy framework comes into effect next year.

In line with our established policy, we will be paying an interim dividend equivalent to one third of the previous year's total dividend. Allowing for the bonus share issue in May, that equates to 10.1p per share, up 25 per cent..

Outlook

Some of the structural headwinds we have experienced in Retail Markets, Citizens and RBS Insurance have begun to abate. The strength of our franchise coupled with the diversity of our income streams means the Group is well placed to compete as the market evolves. We remain confident of the Group's ability to continue to deliver sustainable organic growth in income, profit and earnings per share.

Sir Fred Goodwin
Group Chief Executive

THE ROYAL BANK OF SCOTLAND GROUP plc

Summary Consolidated Income Statement

for the half year ended 30 June 2007 (unaudited)

In the income statement set out below, amortisation of purchased intangible assets and integration costs are shown separately. In the statutory income statement on page 28, these items are included in operating expenses.

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income	5,383	5,194	10,596
Non-interest income (excluding insurance net premium income)	6,259	5,468	11,433
Insurance net premium income	3,048	2,980	5,973
Non-interest income	9,307	8,448	17,406
Total income	14,690	13,642	28,002
Operating expenses	6,298	5,948	12,252
Profit before other operating charges	8,392	7,694	15,750
Insurance net claims	2,415	2,204	4,458
Operating profit before impairment losses	5,977	5,490	11,292
Impairment losses	871	887	1,878
Profit before tax, purchased intangibles amortisation and integration costs	5,106	4,603	9,414
Amortisation of purchased intangible assets	43	49	94
Integration costs	55	43	134
Profit before tax	5,008	4,511	9,186
Tax	1,272	1,387	2,689
Profit for the period	3,736	3,124	6,497
Minority interests	75	55	104
Preference dividends	106	91	191
Profit attributable to ordinary shareholders	3,555	2,978	6,202
Basic earnings per ordinary share (Note 4)	37.6p	31.0p	64.9p
Adjusted earnings per ordinary share (Note 4)	38.4p	31.7p	66.7p

FINANCIAL REVIEW

Profit

Profit before tax was up 11 per cent., from £4,511 million to £5,008 million, reflecting strong organic income growth in Corporate Markets, Wealth Management and Ulster Bank.

Group operating profit increased by 11 per cent. or £503 million, from £4,603 million to £5,106 million.

Total income

The Group achieved strong growth in income during the first half of 2007. Total income was up 8 per cent. or £1,048 million to £14,690 million.

Net interest income increased by 4 per cent. to £5,383 million and represents 37 per cent. of total income (2006—38 per cent.). Average loans and advances to customers and average customer deposits grew by 9 per cent. and 10 per cent. respectively.

Non-interest income increased by 10 per cent. to £9,307 million and represents 63 per cent. of total income (2006—62 per cent.).

Net interest margin

The Group's net interest margin at 2.42 per cent. was down from 2.45 per cent. in the first half of 2006.

Operating expenses

Operating expenses, excluding purchased intangibles amortisation and integration costs, rose by 6 per cent. to £6,298 million.

Cost:income ratio

The Group's cost:income ratio was 41.4 per cent. compared with 41.9 per cent. in 2006.

Net insurance claims

Bancassurance and general insurance claims, after reinsurance, increased by 10 per cent. to £2,415 million reflecting volume growth and adverse weather conditions in the first half of 2007. Excluding the impact of severe weather in June, net insurance claims increased by 3 per cent..

Impairment losses

Impairment losses fell 2 per cent. to £871 million, compared with £887 million in 2006.

Risk elements in lending and potential problem loans represented 1.51 per cent. of gross loans and advances to customers excluding reverse repos at 30 June 2007 (31 December 2006—1.57 per cent.).

Provision coverage of risk elements in lending and potential problem loans was 63 per cent. (31 December 2006—62 per cent.).

Integration

Integration costs were £55 million compared with £43 million in 2006.

Taxation

The effective tax rate for the first half of 2007 was 25.4 per cent. (first half 2006—30.7 per cent.). The tax rate benefited from a reduction of £157 million in deferred tax liability following the change in the rate of UK Corporation Tax from 30 per cent. to 28 per cent. from 1 April 2008. The change in the rate of taxation also reduced net interest income by £19 million to reflect lower rentals on leases with tax variation clauses.

Earnings and dividends

Basic earnings per ordinary share increased by 21 per cent., from 31.0p to 37.6p.

Earnings per ordinary share adjusted for purchased intangibles amortisation and integration costs also increased by 21 per cent., from 31.7p to 38.4p.

An interim dividend of 10.1p per ordinary share, representing one third of last year's total dividend will be paid on 5 October 2007 to shareholders registered on 17 August 2007. The interim dividend is covered 3.8 times by earnings before purchased intangibles amortisation and integration costs.

Balance sheet

Total assets were £1,011.3 billion at 30 June 2007, 16 per cent. higher than total assets of £871.4 billion at 31 December 2006.

Lending to customers, excluding repurchase agreements and stock borrowing ("reverse repos"), increased in the first half of 2007 by 5 per cent. or £19.7 billion to £423.7 billion. Customer deposits, excluding repurchase agreements and stock lending ("repos"), grew by 5 per cent. or £17.4 billion to £337.6 billion.

Capital ratios at 30 June 2007 were 7.4 per cent. (Tier 1) and 12.5 per cent. (Total).

Profitability

The adjusted after-tax return on ordinary equity, which is based on profit attributable to ordinary shareholders before purchased intangibles amortisation and integration costs, and average ordinary equity, was 19.6 per cent. compared with 18.5 per cent. in the first half of 2006.

Bonus issue

In May 2007, the Group capitalised £1,576 million of its share premium account by way of a bonus issue of two new ordinary shares of 25p each for every one held.

RESTATEMENTS

Divisional results for 2006 have been restated to reflect transfers of businesses between divisions in the second half of 2006 and the first half of 2007. These changes do not affect the Group's results. A divisional analysis of these restatements is set out on page 46.

The number of ordinary shares in issue and per share data for prior periods have been restated to reflect the bonus issue in May 2007.

DESCRIPTION OF BUSINESS

Corporate Markets is focused on the provision of debt and risk management services to medium and large businesses and financial institutions in the UK and around the world. Its activities are organised into two businesses, Global Banking & Markets and UK Corporate Banking, in order to enhance our focus on the distinct needs of these two customer segments.

Global Banking & Markets is a leading banking partner to major corporations and financial institutions around the world, providing an extensive range of debt financing, risk management and investment services to its customers.

UK Corporate Banking is the largest provider of banking, finance and risk management services to UK corporate customers. Through its network of relationship managers across the country it distributes the full range of Corporate Markets' products and services to companies.

Retail Markets leads the co-ordination and delivery of our multi-brand retail strategy across our product range and comprises Retail and Wealth Management.

Retail comprises both The Royal Bank of Scotland and NatWest retail brands. It offers a full range of banking products and related financial services to the personal, premium and small business markets (SMEs) through the largest network of branches and ATMs in the UK, as well as through telephone and internet banking. Retail is the UK market leader in small business banking. Retail issues a comprehensive range of credit and charge cards and other financial products through The Royal Bank of Scotland, NatWest and other brands, including MINT, First Active UK and Tesco Personal Finance. It is the leading merchant acquirer in Europe and ranks 4th globally.

Wealth Management provides private banking and investment services to its global clients through Coutts Group, Adam & Company, The Royal Bank of Scotland International and NatWest Offshore.

Ulster Bank, including First Active, provides a comprehensive range of retail and wholesale financial services in the Republic of Ireland and Northern Ireland. Retail Banking has a network of branches throughout Ireland and operates in the personal, commercial and wealth management sectors. Corporate Markets provides a wide range of services in the corporate and institutional markets. RBS's European Consumer Finance ("ECF") activities, previously part of RBS Retail Markets, are now managed within Ulster Bank. ECF provides consumer finance products, particularly card-based revolving credits and fixed-term loans, in Germany and the Benelux countries.

Citizens is engaged in retail and corporate banking activities through its branch network in 13 states in the United States and through non-branch offices in other states. Citizens was ranked the 9th largest commercial banking organisation in the US based on deposits as at 31 March 2007. Citizens Financial Group includes the seven Citizens Banks, Charter One, RBS National Bank, our US credit card business, RBS Lynk, our US merchant acquiring business, and Kroger Personal Finance, our credit card joint venture with the second largest US supermarket group.

RBS Insurance sells and underwrites retail and SME insurance over the telephone and internet, as well as through brokers and partnerships. Direct Line, Churchill and Privilege sell general insurance products direct to the customer. Through its International Division, RBS Insurance sells general insurance, mainly motor, in Spain, Germany and Italy. The Intermediary and Broker Division sells general insurance products through 2,500 independent brokers.

Manufacturing supports the customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services. Manufacturing drives efficiencies and supports income growth across multiple brands and channels by using a single, scalable platform and common processes wherever possible. It also leverages the Group's purchasing power and has become the centre of excellence for managing large-scale and complex change.

The expenditure incurred by Manufacturing relates to costs principally in respect of the Group's banking and insurance operations in the UK and Ireland. These costs reflect activities that are shared between the various customer-facing divisions and consequently cannot be directly attributed to individual divisions. Instead, the Group monitors and controls each of its customer-facing divisions on revenue generation and direct costs whilst in Manufacturing such control is exercised through appropriate efficiency measures and targets. For financial reporting purposes the Manufacturing costs have been allocated to the relevant customer-facing divisions on a basis management considers to be reasonable.

The Centre comprises group and corporate functions, such as capital raising, finance, risk management, legal, communications and human resources. The Centre manages the Group's capital requirements and Group-wide regulatory projects and provides services to the operating divisions.

DIVISIONAL PERFORMANCE

The profit before amortisation of purchased intangible assets and integration costs and after allocation of Manufacturing costs where appropriate, of each division is detailed below, and is described as 'operating profit' in the divisional analyses that follow. The allocations of Manufacturing costs are shown separately in the results for each division.

	First half 2007 £m	First half 2006 £m	Increase %	Full year 2006 £m
Corporate Markets				
—Global Banking & Markets	2,170	1,829	19	3,816
—UK Corporate Banking	981	878	12	1,758
Total Corporate Markets	3,151	2,707	16	5,574
Retail Markets				
—Retail	1,160	1,085	7	2,258
—Wealth Management	202	158	28	318
Total Retail Markets	1,362	1,243	10	2,576
Ulster Bank	238	198	20	421
Citizens	752	812	(7)	1,582
RBS Insurance	255	351	(27)	749
Manufacturing	—	—	—	—
Central items	(652)	(708)	8	(1,488)
Group operating profit	5,106	4,603	11	9,414

Risk-weighted assets of each division were as follows:

	30 June 2007 £bn	31 December 2006 £bn	30 June 2006 £bn
Corporate Markets			
—Global Banking & Markets	144.0	138.1	127.8
—UK Corporate Banking	99.9	93.1	88.0
Total Corporate Markets	243.9	231.2	215.8
Retail Markets			
—Retail	69.9	70.6	71.9
—Wealth Management	7.0	6.4	6.5
Total Retail Markets	76.9	77.0	78.4
Ulster Bank	32.3	29.7	27.7
Citizens	57.0	57.6	60.3
Other	9.6	4.8	3.3
	419.7	400.3	385.5

CORPORATE MARKETS

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income from banking activities	1,981	1,842	3,802
Non-interest income	3,750	3,114	6,518
Total income	5,731	4,956	10,320
Direct expenses			
—staff costs	1,476	1,220	2,539
—other	345	278	622
—operating lease depreciation	354	374	736
	2,175	1,872	3,897
Contribution before impairment losses	3,556	3,084	6,423
Impairment losses	120	97	274
Contribution	3,436	2,987	6,149
Allocation of Manufacturing costs	285	280	575
Operating profit	3,151	2,707	5,574
	£bn	£bn	£bn
Total assets*	579.9	470.0	472.4
Loans and advances to customers-gross*			
—banking book	195.7	172.0	181.1
—trading book	16.0	11.5	15.4
Rental assets	13.6	13.6	13.9
Customer deposits*	143.1	122.7	132.5
Risk-weighted assets	243.9	215.8	231.2

* excluding reverse repos and repos.

Corporate Markets achieved a strong performance in the first half of 2007, with excellent results across our businesses. Total income rose by 16 per cent. to £5,731 million. Contribution grew by 15 per cent. to £3,436 million and operating profit by 16 per cent. to £3,151 million.

Average loans and advances to customers, excluding reverse repos, grew by 14 per cent. and average customer deposits (excluding repos) by 17 per cent.. The portfolio remains well diversified by counterparty, sector and geography, while our average credit grade continues to improve. Assets grew strongly outside the UK, particularly in Western Europe and Asia. Overall credit conditions remained benign, and annualised impairment losses represented 0.11 per cent. of loans and advances to customers.

Average risk-weighted assets rose by 12 per cent., with disciplined capital management. The annualised ratio of operating profit to average risk-weighted assets improved from 2.5 per cent. to 2.6 per cent..

CORPORATE MARKETS—GLOBAL BANKING & MARKETS

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income from banking activities	842	796	1,632
Net fees and commissions receivable	627	503	1,032
Trading activities	1,426	1,210	2,242
Income from rental assets (net of related funding costs)	348	350	677
Other operating income (net of related funding costs)	630	412	1,279
Non-interest income	3,031	2,475	5,230
Total income	3,873	3,271	6,862
Direct expenses			
—staff costs	1,173	951	1,975
—other	245	195	436
—operating lease depreciation	193	207	406
	1,611	1,353	2,817
Contribution before impairment losses	2,262	1,918	4,045
Impairment losses	21	19	85
Contribution	2,241	1,899	3,960
Allocation of Manufacturing costs	71	70	144
Operating profit	2,170	1,829	3,816
	£bn	£bn	£bn
Total assets*	484.9	384.3	383.7
Loans and advances to customers—gross*			
—banking book	102.4	87.9	94.3
—trading book	16.0	11.5	15.4
Rental assets	11.9	12.0	12.2
Customer deposits*	59.4	48.5	54.1
Risk-weighted assets	144.0	127.8	138.1

* excluding reverse repos and repos.

Global Banking & Markets ('GBM') delivered another strong performance in the first half of 2007, achieving excellent growth in income while continuing to expand our strong international franchise. Total income rose by 18 per cent. to £3,873 million, with contribution up by 18 per cent. to £2,241 million and operating profit by 19 per cent. to £2,170 million.

In the first half of 2007 GBM invested in further extending its capabilities as a leading provider of debt financing and risk management solutions covering the origination, structuring and distribution of a wide range of assets. Our recently announced joint venture with Sempra Energy will enable us to extend the range of energy and commodities products we offer to our corporate and financial institution clients.

GBM has also broadened its worldwide reach. In Europe, income increased by 33 per cent. in local currency as a result of good performances in Germany, Spain, France, Italy and the Nordic region. We have grown the activities of our primary dealerships in government debt in France and Italy and added new dealerships in Austria and the Netherlands.

In Asia-Pacific we made marked progress, with income more than doubling in US dollar terms. We have established a good platform, developing both our product capability and client relationships across the region. In North America GBM continues to diversify its income streams, building its customer base and business across a broad range of activities. It achieved good results in corporate bond origination and in treasury and investor products, but its traditional asset-backed and related businesses experienced reduced origination volumes and unfavourable market conditions. Total income in North America declined by 6 per cent., in local currency.

Net interest income from banking activities rose by 6 per cent. to £842 million, representing 22 per cent. of GBM's total income. Average loans and advances to customers, excluding reverse repos, increased by 15 per cent. as we further expanded our customer base outside the UK.

Net fee income rose by 25 per cent. to £627 million, reflecting our top tier position in arranging, structuring and distributing large scale financings, with excellent progress in international bond underwritings.

Income from trading activities grew by 18 per cent. to £1,426 million, with a particularly strong performance in our European businesses helping to offset lower revenues in US asset-backed and related markets. Good performances in foreign exchange and interest rate derivatives were supplemented by growth in our broadening product range, including equity derivatives and retail investor products. Average trading book value at risk remained modest at £16.1 million.

Our rental and other asset-based activities have achieved continuing success in originating, structuring, financing and managing physical assets such as aircraft, trains, ships and real estate for our customers. Income from rental assets, net of related funding costs and operating lease depreciation, increased by 8 per cent. to £155 million. These businesses also generated value through the ownership and active management of our portfolio of assets. Good results from these activities, as well as from principal investments arising from our financing activities with corporate customers and financial sponsors, were reflected in other operating income, which increased to £630 million (net of related funding costs).

We have maintained good cost discipline while continuing to invest in extending our geographical footprint, our infrastructure and our product range. Total expenses grew by 18 per cent. to £1,682 million. Variable performance-related compensation increased and now accounts for 45 per cent. of total costs. Net of operating lease depreciation our cost:income ratio was 40.5 per cent..

Portfolio risk remained stable and the corporate credit environment remained benign. Impairment losses of £21 million were in line with the first half of 2006, a period which included significant recoveries.

Average risk-weighted assets grew by 12 per cent. and the annualised ratio of operating profit to average risk-weighted assets improved from 2.8 per cent. to 3.0 per cent..

CORPORATE MARKETS—UK CORPORATE BANKING

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income from banking activities	1,139	1,046	2,170
Non-interest income	719	639	1,288
Total income	1,858	1,685	3,458
Direct expenses			
—staff costs	303	269	564
—other	100	83	186
—operating lease depreciation	161	167	330
	564	519	1,080
Contribution before impairment losses	1,294	1,166	2,378
Impairment losses	99	78	189
Contribution	1,195	1,088	2,189
Allocation of Manufacturing costs	214	210	431
Operating profit	981	878	1,758
	£bn	£bn	£bn
Total assets*	95.0	85.7	88.7
Loans and advances to customers-gross*	93.3	84.1	86.8
Customer deposits*	83.7	74.2	78.4
Risk-weighted assets	99.9	88.0	93.1

* excluding reverse repos and repos.

UK Corporate Banking has had a strong start to the year across its businesses, building further on our market-leading positions. Total income rose by 10 per cent. to £1,858 million and contribution by 10 per cent. to £1,195 million. Operating profit rose by 12 per cent. to £981 million.

There has been good growth in customer volumes, with average loans and advances up 12 per cent. and average deposits up 18 per cent.. This led to an increase in net interest income from banking activities of 9 per cent. to £1,139 million. Although the corporate marketplace remains an area of intense competition, the rate of margin decline has eased in the first half of 2007.

Non-interest income rose by 13 per cent. to £719 million, as a result of growth in fees and good progress in the distribution of trade and invoice finance as well as of interest rate and foreign exchange products.

Total expenses rose by 7 per cent. to £778 million. We have continued to extend “Another Way of Banking”, improving our service quality and product capabilities through the addition of 600 front-line staff. We have made good progress in the rollout of Bankline, our enhanced web-based electronic banking platform, adding advanced payments functionality.

Impairment losses totalled £99 million, which as a percentage of average loans and advances to customers is in line with the full year 2006, reflecting the stable credit quality of the portfolio as well as a benign economic environment.

RETAIL MARKETS

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income	2,339	2,243	4,607
Non-interest income	1,965	1,900	3,852
Total income	4,304	4,143	8,459
Direct expenses			
—staff costs	828	774	1,615
—other	360	386	745
	1,188	1,160	2,360
Insurance net claims	285	242	488
Contribution before impairment losses	2,831	2,741	5,611
Impairment losses	612	659	1,311
Contribution	2,219	2,082	4,300
Allocation of Manufacturing costs	857	839	1,724
Operating profit	1,362	1,243	2,576
	£bn	£bn	£bn
Total banking assets	120.4	114.9	118.4
Loans and advances to customers—gross			
—mortgages	70.4	66.0	69.7
—personal	20.5	20.8	20.5
—cards	7.8	8.4	8.2
—business	19.5	17.7	18.1
Customer deposits*	122.0	109.6	115.5
Investment management assets—excluding deposits	38.2	32.3	34.9
Risk-weighted assets	76.9	78.4	77.0

* customer deposits exclude bancassurance.

Retail Markets achieved a good performance in the first half of 2007, with income ahead 4 per cent. to £4,304 million, contribution up by 7 per cent. to £2,219 million and operating profit up by 10 per cent. to £1,362 million.

Retail Markets has continued to focus on savings and investment products and has seen strong growth in these areas, with average customer deposits up 10 per cent.. Our Wealth Management businesses

have performed strongly, benefiting from the significant investment made in the UK and Asia in recent years. Lending growth in the personal sector remains subdued as a result of the slowdown in demand for consumer credit. We have maintained our cautious approach to this sector, reducing lending in a number of segments where we have not viewed returns as commensurate with the risks and acquisition costs involved.

Expenses have been kept under tight control, with continued efficiency gains allowing us to continue to invest and grow the business. The first half of 2007 marked the turning point in UK unsecured credit, and impairment losses fell by 7 per cent., with the resultant increase in profitability.

Average risk-weighted assets fell by 2 per cent., reflecting a change in business mix towards mortgage lending as well as careful balance sheet management, including increased use of securitisations.

RETAIL MARKETS—RETAIL

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income	2,067	2,006	4,111
Non-interest income	1,740	1,701	3,459
Total income	3,807	3,707	7,570
Direct expenses			
—staff costs	670	631	1,316
—other	295	323	618
	965	954	1,934
Insurance net claims	285	242	488
Contribution before impairment losses	2,557	2,511	5,148
Impairment losses	611	657	1,310
Contribution	1,946	1,854	3,838
Allocation of Manufacturing costs	786	769	1,580
Operating profit	1,160	1,085	2,258
	£bn	£bn	£bn
Total banking assets	107.8	103.9	107.4
Loans and advances to customers—gross			
—Mortgages	66.2	62.1	65.6
—Personal	16.5	17.4	17.1
—Cards	7.7	8.3	8.1
—Business	18.2	16.6	16.9
Customer deposits*	91.3	83.2	87.1
Risk-weighted assets	69.9	71.9	70.6

* customer deposits exclude bancassurance.

Retail has delivered a good performance in the first half of 2007, growing contribution by 5 per cent. to £1,946 million, and operating profit by 7 per cent. to £1,160 million. This good result reflects 3 per cent. growth in income to £3,807 million, strong cost control and reduced impairment losses, while maintaining a cautious approach to unsecured lending.

In consumer banking we have achieved strong growth in savings balances and a significant uplift in sales of cards, bancassurance and loans through our branches. We have again expanded our customer franchise, growing our personal current account base by 2 per cent.. We continue to perform well in the switcher market, reinforcing our leading position in current accounts. RBS and NatWest are now ranked first and joint second respectively among major high street banks in Great Britain for the percentage of main current account customers that are “extremely satisfied” and “extremely or very satisfied” overall.

In business banking the implementation of a new operating model has produced good results, enabling us to increase our market share. NatWest leads the SME banking market in England and Wales while RBS remains leader in the Scottish market. We have gained ground in the start-up market and have recently launched a new market-leading account to target this segment.

Results for our cards and direct finance business reflected our strategy of focusing unsecured personal lending on lower risk segments, as well as the market-wide decline in credit card borrowing. Income was 5 per cent. lower as a result of declining card and direct loan balances and the impact of the Office of Fair Trading's ruling on credit card fees. Effective cost control and reducing credit losses contributed to a 4 per cent. increase in operating profit.

Net interest income increased by 3 per cent. to £2,067 million, with faster growth in deposits helping to mitigate lower unsecured lending volumes and declining card balances. Average customer deposit balances were 8 per cent. higher, driven by very strong growth in personal savings balances, up 12 per cent., and accelerating growth in business deposits, up 10 per cent.. Net interest margin was stable.

Average loans and advances to customers increased by 4 per cent., with average mortgage lending up 7 per cent. and average business loans up 8 per cent.. Mortgage activity focused on the more profitable branch channels, where gross lending was 13 per cent. higher, whilst we have continued to take a selective approach to the intermediary channel, where our gross lending was 10 per cent. lower than in the first half of 2006. We have further reduced our presence in the direct loans market, whilst focusing on quality business with existing customers, resulting in continued growth in lending through the branch channel. Average credit card balances fell by 10 per cent. as customers repaid debt, but we have achieved excellent growth in the recruitment of new card accounts through our branches.

Non-interest income was £1,740 million, 2 per cent. ahead of the first half of 2006, with strong income growth in investment and private banking businesses offset by lower credit card late payment fees and lower fee income as a result of reduced direct lending volumes.

Bancassurance continued its excellent progress with sales increasing by 24 per cent. to £171 million annual premium equivalent. The continuing increase in our sales force has resulted in an increase in market share to more than 10 per cent..

Despite investments for future growth, total expenses rose by just 2 per cent. to £1,751 million, whilst direct expenses were up just 1 per cent. to £965 million. Excluding redundancy costs associated with the division's reorganisation, direct costs were 2 per cent. lower. These redundancy costs resulted in a 5 per cent. reduction in headcount and made up most of a 6 per cent. increase in staff costs to £670 million. We sustained investment in customer-facing staff in branches and in our bancassurance and investment businesses. Other costs were reduced by 9 per cent. to £295 million.

Impairment losses decreased by 7 per cent. to £611 million, reflecting the improvement in arrears trends on both credit cards and unsecured personal loans. Mortgage arrears remain very low—the average loan-to-value ratio of Retail's mortgages was 47 per cent. overall and 64 per cent. on new mortgages written in the first half of 2007. Small business credit quality remains good.

RETAIL MARKETS—WEALTH MANAGEMENT

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income	272	237	496
Non-interest income	225	199	393
Total income	497	436	889
Direct expenses			
—staff costs	158	143	299
—other	65	63	127
	223	206	426
Contribution before impairment losses	274	230	463
Impairment losses	1	2	1
Contribution	273	228	462
Allocation of Manufacturing costs	71	70	144
Operating profit	202	158	318
	£bn	£bn	£bn
Loans and advances to customers—gross	9.6	8.5	8.8
Investment management assets—excluding deposits	31.2	26.0	28.2
Customer deposits	30.7	26.4	28.4
Risk-weighted assets	7.0	6.5	6.4

Wealth Management delivered strong growth, with total income rising by 14 per cent. to £497 million. Contribution grew by 20 per cent. to £273 million and operating profit by 28 per cent. to £202 million.

Wealth Management's offering of private banking and investment services continued to deliver robust organic income growth in the first half of 2007. We have continued Coutts UK's regional expansion programme, and this has helped us to grow customer numbers in the UK by 7 per cent.. Outside the UK, Coutts International has maintained its momentum in the Asia-Pacific region, where we have succeeded in growing customer numbers by 20 per cent. and income by 46 per cent. in US dollar terms.

Growth in banking volumes contributed to a 15 per cent. rise in net interest income to £272 million. Average loans and advances to customers rose by 12 per cent. and average deposits by 15 per cent..

Non-interest income grew by 13 per cent. to £225 million, reflecting higher investment management fees and new product sales, as well as continued growth in underlying new business volumes, particularly in the UK and Asia. Assets under management rose to £31.2 billion at 30 June 2007, up 20 per cent. from a year earlier.

Total expenses rose by 7 per cent. to £294 million, reflecting our continued investment in the UK along with further recruitment of private bankers, particularly in Asia. Total headcount increased by 10 per cent..

ULSTER BANK

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Net interest income	467	415	873
Non-interest income	146	128	252
Total income	613	543	1,125
Direct expenses			
—staff costs	137	121	254
—other	78	62	131
	215	183	385
Contribution before impairment losses	398	360	740
Impairment losses	53	57	104
Contribution	345	303	636
Allocation of Manufacturing costs	107	105	215
Operating profit	238	198	421
Average exchange rate—€/£	1.482	1.456	1.467
	£bn	£bn	£bn
Total assets	49.4	41.8	44.5
Loans and advances to customers—gross			
—mortgages	16.2	14.2	15.0
—corporate	21.7	16.8	19.6
—other	3.2	2.9	3.6
Customer deposits	20.1	17.6	18.1
Risk-weighted assets	32.3	27.7	29.7
Spot exchange rate—€/£	1.485	1.446	1.490

Ulster Bank continued to perform strongly in both personal and corporate banking across the island of Ireland, with total income rising by 13 per cent. to £613 million. Contribution increased by 14 per cent. to £345 million and operating profit by 20 per cent. to £238 million. We achieved a particularly strong performance in commercial banking and have made good progress in Capital Markets, working closely with Global Banking & Markets. We launched a new Wealth business in May to serve Ireland's growing population of high net worth individuals, and this is already proving successful, with strong take-up of new product offerings.

Net interest income increased by 13 per cent. to £467 million, reflecting strong growth in both lending and deposit gathering. Average loans and advances to customers increased by 27 per cent., with particularly strong balance growth in business lending, up 37 per cent. across a wide range of sectors. We have seen healthy growth in the mortgage book, although the pace of market growth has moderated. Average customer deposits rose by 16 per cent., while our switcher campaign has been successful in winning 47,000 new current account customers in the first half of 2007. Net interest margin tightened in line with previous trends in lending margins.

Non-interest income rose by 14 per cent. to £146 million, driven by the success of our Capital Markets and Wealth activities.

Total expenses increased by 12 per cent. to £322 million, as we continued our investment programme to support the future growth of the business. We continued to expand our branch and business centre footprint and recruited additional customer-facing staff, particularly in our Corporate Markets division.

The credit environment remains benign, despite recent rises in interest rates, and impairment losses fell by £4 million to £53 million.

CITIZENS

	First half 2007 £m	First half 2006 £m	Full year 2006 £m	First half 2007 \$m	First half 2006 \$m	Full year 2006 \$m
Net interest income	980	1,075	2,085	1,931	1,924	3,844
Non-interest income	585	611	1,232	1,153	1,094	2,271
Total income	1,565	1,686	3,317	3,084	3,018	6,115
Direct expenses						
—staff costs	378	424	803	746	759	1,480
—other	352	379	751	693	677	1,385
	730	803	1,554	1,439	1,436	2,865
Contribution before impairment losses	835	883	1,763	1,645	1,582	3,250
Impairment losses	83	71	181	163	128	333
Operating profit	752	812	1,582	1,482	1,454	2,917
Average exchange rate—US\$/£	1.970	1.790	1.844			
				\$bn	\$bn	\$bn
Total assets				160.3	164.2	162.2
Loans and advances to customers—gross						
—mortgages				18.5	19.4	18.6
—home equity				36.2	33.1	34.5
—other consumer				22.7	24.5	23.2
—corporate and commercial				34.6	32.2	32.7
Customer deposits				106.1	111.8	106.8
Customer deposits (excluding wholesale funding)				104.0	105.2	103.6
Risk-weighted assets				114.4	111.5	113.1
Spot exchange rate—US\$/£				2.006	1.849	1.965

The franchise, particularly corporate and commercial banking, made good progress in the first half of 2007 as the headwinds showed signs of abating. Stable margins and growth in fees lifted income by 2 per cent. to \$3,084 million which, coupled with tight cost control and strong credit quality, resulted in operating profit growth of 2 per cent. to \$1,482 million. In sterling terms, total income decreased by 7 per cent. to £1,565 million and operating profit also fell by 7 per cent. to £752 million.

Net interest income was \$1,931 million. Average loans and advances to customers increased by 4 per cent., with strong growth in corporate and commercial lending offsetting weaker demand for mortgage and auto loans. Average corporate and commercial loans excluding finance leases increased by 12 per cent., reflecting Citizens' success in adding new mid-corporate customers and increasing its total number of business customers by 3 per cent. to 473,000, with particularly good growth in the Midwest.

Average customer deposits increased by 1 per cent.. There has been further migration from low-cost checking accounts and liquid savings to higher-cost term and time deposits. Notwithstanding this migration, Citizens stabilised its net interest margin at 2.75 per cent. in the first half of 2007, the same level recorded in the first half of 2006 but six basis points higher than in the second half of 2006.

Non-interest income rose by 5 per cent. to \$1,153 million. Business and corporate fees rose strongly, with good results especially in leasing, interest rate derivatives and cash management where enhanced cooperation with Corporate Markets has resulted in increased activity. Good progress was also made in credit card issuing, where we increased our customer base by 21 per cent., and in merchant acquiring, where RBS Lynk achieved significant growth, processing 30 per cent. more transactions than in 2006 and expanding its merchant base by 8 per cent..

Tight cost control and a 4 per cent. reduction in headcount kept total expenses flat, despite continued investment in growth opportunities including mid-corporate banking, contactless debit cards and merchant acquiring. Citizens has also continued to develop its branch network. Our partnership with Stop & Shop Supermarkets has helped us to expand our supermarket banking franchise into downstate

New York, while in February we completed the acquisition of GreatBanc, Inc., strengthening our position in the Chicago market and making us the 5th largest bank in the Chicago area, based on deposits.

The increasing proportion of commercial lending in our portfolio has contributed to an increase in impairment losses to \$163 million. This reflects the growth in the portfolio over the recent past and still represents just 0.29 per cent. of loans and advances to customers, on an annualised basis, illustrating the quality of our portfolio. Risk elements in lending and problem loans represent 0.35 per cent. of loans and advances, up slightly from 0.32 per cent. in 2006. Citizens is not active in sub-prime lending, and consumer lending is to prime customers, with average FICO scores on our portfolios, including home equity lines of credit, in excess of 700 with 96 per cent. of lending secured.

RBS INSURANCE

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Earned premiums	2,815	2,834	5,713
Reinsurers' share	(110)	(105)	(212)
Insurance premium income	2,705	2,729	5,501
Net fees and commissions	(201)	(248)	(486)
Other income	339	280	664
Total income	2,843	2,761	5,679
Direct expenses			
—staff costs	147	155	319
—other	204	188	426
	351	343	745
Gross claims	2,164	1,995	4,030
Reinsurers' share	(34)	(33)	(60)
Net claims	2,130	1,962	3,970
Contribution	362	456	964
Allocation of Manufacturing costs	107	105	215
Operating profit	255*	351	749

* The impact of the June 2007 floods was to reduce operating profit by £125 million.

In-force policies (thousands)

—Own-brand motor	6,829	6,724	6,790
—Own-brand non-motor (home, rescue, pet, HR24)	3,493	3,500	3,505
—Partnerships & broker (motor, home, rescue, SMEs, pet, HR24)	9,852	11,501	11,496
General insurance reserves—total (£m)	8,223	7,942	8,068

RBS Insurance has made good progress in the first half of 2007. Total income increased by 3 per cent. to £2,843 million, driven by good growth in our own-brand businesses partially offset by a decline in partnerships. Results in the first half were held back by the £125 million impact of June's floods, and operating profit fell by 27 per cent. to £255 million. Excluding the June impact, operating profit grew by 8 per cent..

Our own-brand businesses have performed well, with income rising by 7 per cent.. Operating profit declined by 13 per cent., but excluding the June impact grew by 10 per cent.. In the UK motor market we have pursued a strategy of increasing premium rates to offset claims inflation, and have improved profitability by implementing heavier increases in higher risk categories. Total in-force motor policies were up slightly at 6.8 million. In own-brand non-motor insurance we have achieved good sales through the RBS and NatWest branch channel which has allowed in-force policies to be maintained at 2006 levels of around 3.5 million. Our international businesses also showed strong growth in the first half, with particularly good performances in Spain and Italy. The number of in-force motor policies in Europe rose by 11 per cent..

In our partnership and broker business, providing underwriting and processing services to third parties, we have not renewed a number of large rescue contracts, and in-force policies have reduced by 14 per cent. to just under 10 million. Partnerships and broker income, however, has fallen by only 1 per cent.. Excluding the June impact, operating profit from partnerships and brokers increased by 4 per cent..

For RBS Insurance as a whole, insurance premium income, net of fees and commissions, was 1 per cent. higher at £2,504 million, reflecting 3 per cent. growth in our own brands offset by a 1 per cent. decline in partnerships. Other income rose by 21 per cent. to £339 million, reflecting increased investment income.

Total expenses rose by 2 per cent. to £458 million. Within this, staff costs reduced by 5 per cent., reflecting our continued focus on improving efficiency whilst maintaining service standards. A 9 per cent. rise in non-staff costs reflects increased marketing investment in our own motor brands.

Net claims rose by 9 per cent. to £2,130 million. Gross claims relating to the severe weather in June are estimated to have cost more than £150 million, with a net impact after allowing for profit sharing and reinsurance of £125 million. Excluding the June impact, net claims costs rose by just 1 per cent.. In the motor book, while average claims costs have continued to rise, this has been mitigated by continuing efficiencies and improvements in risk selection and management.

The UK combined operating ratio for the first half of 2007, including Manufacturing costs, increased to 101.3 per cent., reflecting a higher loss ratio and the discontinuation of some partnerships. Excluding the effect of June's severe weather, the UK combined operating ratio was 95.8 per cent..

MANUFACTURING

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Staff costs	370	370	763
Other costs	1,058	1,029	2,110
Total Manufacturing costs	1,428	1,399	2,873
Allocated to divisions	(1,428)	(1,399)	(2,873)
	—	—	—
Analysis of Manufacturing costs:			
Group Technology	472	470	974
Group Property	464	448	932
Customer Support and other operations	492	481	967
Total Manufacturing costs	1,428	1,399	2,873

Manufacturing costs increased by 2 per cent. to £1,428 million, as improvements in productivity enabled us to support growth in business volumes and to maintain high levels of customer satisfaction while continuing to invest in the further development of our business. Staff costs were flat, as salary inflation was offset by reduced headcount in Operations, resulting from process efficiencies. Other costs increased by 3 per cent., reflecting property investment and continued growth in the volumes of transactions handled.

Group Technology costs were broadly flat at £472 million, as we achieved significant improvements in productivity balanced by investment in software development.

Group Property costs increased by 4 per cent. to £464 million, reflecting the continuation of our branch improvement programme and ongoing investment in our property portfolio, including our city centre portfolio in the UK and new offices to support the strong growth of our business in Singapore and Paris.

Customer Support and other operations costs increased by only 2 per cent. to £492 million and, like Group Technology, achieved significant improvements in productivity. This enabled us to absorb significant increases in service volumes, such as a 6 per cent. increase in transactions at our ATMs. At the same time we maintained our focus on service quality, and our UK-based telephony centres continued to record market-leading customer satisfaction scores. Our investment in 'lean manufacturing' approaches across our operational centres is expected to deliver further improvements in efficiency.

CENTRAL ITEMS

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Funding and corporate costs	370	424	893
Departmental and other costs	210	214	451
	580	638	1,344
Allocation of Manufacturing costs	72	70	144
Total central items	652	708	1,488

Funding and corporate costs were down £54 million reflecting lower pension costs, volatility attributable to derivatives that do not meet the hedge accounting criteria, the effect of exchange rate movements on interest on dollar denominated funding instruments and the benefit from new issues of equity preference shares replacing preference shares classified as debt. These were offset by goodwill payments amounting to £81 million in respect of current account administration fees.

Departmental and other costs were flat.

AVERAGE BALANCE SHEET

	First half 2007			First half 2006		
	Average balance £m	Interest £m	Rate %	Average balance £m	Interest £m	Rate %
Assets						
Treasury and other eligible bills	687	16	4.66	2,644	56	4.24
Loans and advances to banks	24,295	637	5.24	24,861	469	3.77
Loans and advances to customers	382,890	12,185	6.36	352,464	10,654	6.05
Debt securities	31,293	808	5.16	36,595	863	4.72
Interest-earning assets— banking business	439,165	13,646	6.21	416,564	12,042	5.78
Trading business	261,200			190,356		
Non-interest-earning assets . .	241,667			201,145		
Total assets	942,032			808,065		
Liabilities						
Deposits by banks	59,010	1,329	4.50	66,242	1,250	3.77
Customer accounts	277,263	5,461	3.94	251,274	4,184	3.33
Debt securities in issue	82,806	2,047	4.94	79,460	1,774	4.47
Subordinated liabilities	26,042	725	5.57	26,243	651	4.96
Internal funding of trading business	(52,857)	(1,238)	4.68	(47,355)	(917)	3.87
Interest-bearing liabilities— banking business	392,264	8,324	4.24	375,864	6,942	3.69
Trading business	263,086			191,913		
Non-interest-bearing liabilities —demand deposits	30,145			29,370		
—other liabilities	215,860			174,963		
Shareholders' equity	40,677			35,955		
Total liabilities	942,032			808,065		

Notes:

- Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.
- Interest-earning assets and interest-bearing liabilities exclude the Retail bancassurance assets and liabilities, in view of their distinct nature. As a result, interest income has been adjusted by £37 million (2006—£30 million).
- Changes in the fair value of interest-bearing financial instruments designated as at fair value through profit or loss are recorded in other operating income in the consolidated income statement. In the average balance sheet shown above, interest includes interest income and interest expense related to these instruments of £151 million (2006—£107 million) and £249 million (2006—£231 million) respectively and the average balances have been adjusted accordingly.

AVERAGE INTEREST RATES, YIELDS, SPREADS AND MARGINS

Average rate	First half 2007 %	First half 2006 %
The Group's base rate	5.31	4.50
London inter-bank three month offered rates:		
—Sterling	5.65	4.64
—Eurodollar	5.36	4.99
—Euro	3.94	2.75
	First half 2007 %	First half 2006 %
Yields, spreads and margins of the banking business:		
Gross yield on interest-earning assets of banking business	6.21	5.78
Cost of interest-bearing liabilities of banking business	(4.24)	(3.69)
Interest spread of banking business	1.97	2.09
Benefit from interest-free funds	0.45	0.36
Net interest margin of banking business	2.42	2.45

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2007 (unaudited)

In the income statement below, amortisation of purchased intangible assets and integration costs are included in operating expenses.

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Interest receivable	13,458	11,905	24,688
Interest payable	8,075	6,711	14,092
Net interest income	5,383	5,194	10,596
Fees and commissions receivable	3,588	3,543	7,116
Fees and commissions payable	(916)	(985)	(1,922)
Income from trading activities	1,875	1,453	2,675
Other operating income (excluding insurance premium income)	1,712	1,457	3,564
Insurance premium income	3,193	3,112	6,243
Reinsurers' share	(145)	(132)	(270)
Non-interest income	9,307	8,448	17,406
Total income	14,690	13,642	28,002
Staff costs	3,494	3,233	6,723
Premises and equipment	748	668	1,421
Other administrative expenses	1,319	1,286	2,658
Depreciation and amortisation	835	853	1,678
Operating expenses*	6,396	6,040	12,480
Profit before other operating charges and impairment losses	8,294	7,602	15,522
Insurance claims	2,468	2,244	4,550
Reinsurers' share	(53)	(40)	(92)
Impairment losses	871	887	1,878
Operating profit before tax	5,008	4,511	9,186
Tax	1,272	1,387	2,689
Profit for the period	3,736	3,124	6,497
Minority interests	75	55	104
Preference dividends	106	91	191
Profit attributable to ordinary shareholders	3,555	2,978	6,202
Basic earnings per ordinary share (Note 4)	37.6p	31.0p	64.9p
Diluted earnings per ordinary share (Note 4)	37.3p	30.8p	64.4p
Adjusted earnings per ordinary share (Note 4)	38.4p	31.7p	66.7p
*Operating expenses include:	£m	£m	£m
Integration costs:			
—Administrative expenses	26	41	118
—Depreciation and amortisation	29	2	16
	55	43	134
Amortisation of purchased intangible assets	43	49	94
	98	92	228

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007 (unaudited)

	30 June 2007 £m	31 December 2006 (Audited) £m	30 June 2006 £m
Assets			
Cash and balances at central banks	4,080	6,121	3,760
Treasury and other eligible bills	8,014	5,491	6,499
Loans and advances to banks	92,037	82,606	74,887
Loans and advances to customers	503,197	466,893	431,296
Debt securities	142,324	127,251	129,389
Equity shares	13,193	13,504	12,919
Settlement balances	21,372	7,425	14,789
Derivatives	183,313	116,681	117,897
Intangible assets	18,868	18,904	19,380
Property, plant and equipment	18,185	18,420	18,311
Prepayments, accrued income and other assets	6,683	8,136	10,212
Total assets	1,011,266	871,432	839,339
Liabilities			
Deposits by banks	139,415	132,143	118,617
Customer accounts	419,317	384,222	368,601
Debt securities in issue	95,519	85,963	85,823
Settlement balances and short positions	71,969	49,476	48,832
Derivatives	183,461	118,112	119,757
Accruals, deferred income and other liabilities	15,711	15,660	14,818
Retirement benefit liabilities	1,987	1,992	3,742
Deferred taxation	2,721	3,264	2,294
Insurance liabilities	7,629	7,456	7,442
Subordinated liabilities	27,079	27,654	27,852
Total liabilities	964,808	825,942	797,778
Equity:			
Minority interests	4,914	5,263	4,186
Shareholders' equity*			
Called up share capital	2,391	815	825
Reserves	39,153	39,412	36,550
Total equity	46,458	45,490	41,561
Total liabilities and equity	1,011,266	871,432	839,339
*Shareholders' equity attributable to:			
Ordinary shareholders	37,403	36,546	34,016
Preference shareholders	4,141	3,681	3,359
	41,544	40,227	37,375

OVERVIEW OF CONDENSED CONSOLIDATED BALANCE SHEET

Total assets of £1,011.3 billion at 30 June 2007 were up £139.8 billion, 16 per cent., compared with 31 December 2006.

Treasury and other eligible bills increased by £2.5 billion, 46 per cent. to £8.0 billion, due to higher trading activity.

Loans and advances to banks increased by £9.4 billion, 11 per cent., to £92.0 billion. Reverse repurchase agreements and stock borrowing ("reverse repos") increased by £10.5 billion, 19 per cent. to £64.7 billion, but were offset by a reduction in bank placings of £1.1 billion, 4 per cent., to £27.3 billion.

Loans and advances to customers were up £36.3 billion, 8 per cent., to £503.2 billion. Within this, reverse repos increased by 26 per cent., £16.6 billion to £79.5 billion. Excluding reverse repos, lending rose by £19.7 billion, 5 per cent. to £423.7 billion reflecting organic growth across all divisions.

Debt securities increased by £15.1 billion, 12 per cent., to £142.3 billion, principally due to increased holdings in Global Banking & Markets.

Equity shares decreased by £0.3 billion, 2 per cent., to £13.2 billion, primarily reflecting a decrease in the market value of the investment in Bank of China.

Settlement balances rose by £13.9 billion to £21.4 billion as a result of increased customer activity in Global Banking & Markets.

Movements in the value of derivatives, assets and liabilities, primarily reflect significant changes in interest rates since the year end and growth in trading volumes.

Prepayments, accrued income and other assets were down £1.5 billion, 18 per cent. to £6.7 billion.

Deposits by banks rose by £7.3 billion, 6 per cent. to £139.4 billion to fund business growth. This reflected increased repurchase agreements and stock lending (“repos”), up £5.0 billion, 6 per cent. to £81.3 billion combined with higher inter-bank deposits, up £2.3 billion, 4 per cent. at £58.1 billion.

Customer accounts were up £35.1 billion, 9 per cent. to £419.3 billion. Within this, repos increased £17.7 billion, 28 per cent. to £81.7 billion. Excluding repos, deposits rose by £17.4 billion, 5 per cent., to £337.6 billion reflecting organic growth in all divisions.

Debt securities in issue increased by £9.6 billion, 11 per cent., to £95.5 billion.

The increase in settlement balances and short positions, up £22.5 billion, 45 per cent., to £72.0 billion, reflected growth in customer activity.

Deferred taxation liabilities decreased by £0.5 billion, 17 per cent. to £2.7 billion, due in part to the change in the rate of UK corporation tax from 30 per cent. to 28 per cent. from 1 April 2008.

Subordinated liabilities were down £0.6 billion, 2 per cent. to £27.1 billion. The issue of £1.0 billion dated loan capital was more than offset by the redemption of £0.3 billion dated and undated loan capital and £0.6 billion non-cumulative preference shares and the effect of exchange rate and other adjustments, £0.7 billion.

Equity minority interests decreased by £0.3 billion, 7 per cent. to £4.9 billion, primarily reflecting a reduction in the market value of the investment in Bank of China attributable to minority shareholders.

Shareholders' equity increased by £1.3 billion, 3 per cent. to £41.5 billion. The profit for the six months of £3.7 billion and the issue of £0.4 billion non-cumulative fixed rate equity preference shares were partially offset by a £0.3 billion decrease in available-for-sale reserves, mainly reflecting the Group's share in the investment in Bank of China, the payment of the 2006 final ordinary dividend of £2.1 billion and preference dividends of £0.1 billion, together with movements in currency translation and cash flow hedging reserves of £0.2 billion and £0.1 billion respectively.

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR
THE HALF YEAR ENDED 30 JUNE 2007 (unaudited)**

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Net movements in reserves:			
Available-for-sale	(825)	3,106	4,479
Cash flow hedges	(125)	145	(249)
Currency translation	(199)	(869)	(1,681)
Actuarial gains on defined benefit plans	—	—	1,781
Tax on items recognised direct in equity	180	(454)	(1,173)
Net (expense)/income recognised direct in equity	(969)	1,928	3,157
Profit for the period	3,736	3,124	6,497
Total recognised income and expense for the period	2,767	5,052	9,654
Attributable to:			
Equity shareholders	3,020	3,462	7,707
Minority interests	(253)	1,590	1,947
	2,767	5,052	9,654

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED
30 JUNE 2007 (unaudited)**

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Operating activities			
Operating profit before tax	5,008	4,511	9,186
Adjustments for:			
Depreciation and amortisation	835	853	1,678
Interest on subordinated liabilities	725	651	1,386
Charge for defined benefit pension schemes	234	267	580
Cash contribution to defined benefit pension schemes	(239)	(257)	(536)
Elimination of foreign exchange differences and other non-cash items	(2,474)	1,188	3,396
Net cash inflow from trading activities	4,089	7,213	15,690
Changes in operating assets and liabilities	3,627	(1,893)	3,980
Net cash flows from operating activities before tax	7,716	5,320	19,670
Income taxes paid	(1,022)	(943)	(2,229)
Net cash flows from operating activities	6,694	4,377	17,441
Investing activities			
Sale and maturity of securities	9,410	14,729	27,126
Purchase of securities	(8,210)	(11,911)	(19,126)
Sale of property, plant and equipment	2,009	808	2,990
Purchase of property, plant and equipment	(2,086)	(1,936)	(4,282)
Net investment in business interests and intangible assets	(278)	(108)	(63)
Net cash flows from investing activities	845	1,582	6,645
Financing activities			
Issue of ordinary shares	—	98	104
Issue of equity preference shares	460	350	671
Issue of subordinated liabilities	1,009	1,990	3,027
Proceeds of minority interests issued	—	528	1,354
Redemption of minority interests	(33)	—	(81)
Repurchase of ordinary shares	—	(201)	(991)
Shares purchased by employee trusts	(50)	—	(254)
Shares issued under employee share schemes	52	—	108
Repayment of subordinated liabilities	(877)	(962)	(1,318)
Dividends paid	(2,252)	(1,831)	(2,727)
Interest paid on subordinated liabilities	(684)	(678)	(1,409)
Net cash flows from financing activities	(2,375)	(706)	(1,516)
Effects of exchange rate changes on cash and cash equivalents	(356)	(1,354)	(3,468)
Net increase in cash and cash equivalents	4,808	3,899	19,102
Cash and cash equivalents at beginning of period	71,651	52,549	52,549
Cash and cash equivalents at end of period	76,459	56,448	71,651

NOTES

1. Accounting policies

There have been no changes to the Group's principal accounting policies as set out on pages 130 to 136 of the 2006 Report and Accounts. These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

2. Loan impairment provisions

Operating profit is stated after charging loan impairment losses of £851 million (2006 – £889 million). The balance sheet loan impairment provisions increased in the half year ended 30 June 2007 from £3,935 million to £4,062 million, and the movements thereon were:

	First half 2007 £m	First half 2006 £m
At 1 January	3,935	3,887
Currency translation and other adjustments	(6)	(34)
Acquisitions	7	—
Amounts written-off	(768)	(737)
Recoveries of amounts previously written-off	126	96
Charge to the income statement	851	889
Unwind of discount	(83)	(63)
At 30 June	<u>4,062</u>	<u>4,038</u>

The provision at 30 June 2007 includes £2 million (31 December 2006 – £2 million; 30 June 2006 – £3 million) in respect of loans and advances to banks.

3. Taxation

The charge for taxation comprises:

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Tax on profit before intangibles amortisation and integration costs	1,301	1,415	2,750
Tax relief on intangibles amortisation and integration costs	(29)	(28)	(61)
	<u>1,272</u>	<u>1,387</u>	<u>2,689</u>
Overseas tax included above	547	615	1,100

The charge for taxation represents 25.4 per cent. (first half 2006 – 30.7 per cent.; full year 2006 – 29.3 per cent.) of profit before tax. It differs from the tax charge computed by applying the standard UK corporation tax rate of 30 per cent. as follows:

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Profit before tax	5,008	4,511	9,186
Expected tax charge at 30%	1,502	1,353	2,756
Non-deductible items	67	113	288
Non-taxable items	(79)	(44)	(251)
Foreign profits taxed at other rates	25	33	63
Reduction in deferred tax liability following change in the rate of UK Corporation Tax	(157)	—	—
Other	(5)	2	19
Adjustments in respect of prior periods	(81)	(70)	(186)
Actual tax charge	<u>1,272</u>	<u>1,387</u>	<u>2,689</u>

4. Earnings per share

Earnings per share have been calculated based on the following:

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Earnings			
Profit attributable to ordinary shareholders	3,555	2,978	6,202
Add back finance cost on dilutive convertible securities	31	33	64
Diluted earnings attributable to ordinary shareholders	3,586	3,011	6,266
	<i>Number of shares—millions</i>		
Weighted average number of ordinary shares*			
In issue during the period	9,443	9,591	9,555
Effect of dilutive share options and convertible securities	162	174	174
Diluted weighted average number of ordinary shares in issue during the period	9,605	9,765	9,729
Basic earnings per share*	37.6p	31.0p	64.9p
Intangibles amortisation	0.3p	0.4p	0.7p
Integration costs	0.5p	0.3p	1.1p
Adjusted earnings per share*	38.4p	31.7p	66.7p
Diluted earnings per share*	37.3p	30.8p	64.4p
Adjusted diluted earnings per share*	38.1p	31.5p	66.1p

* prior period data have been restated to reflect the two for one bonus issue of ordinary shares in May 2007.

5. Segmental analysis

The revenues for each division in the table below are gross of intra-group transactions.

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Total revenue			
Corporate Markets			
—Global Banking & Markets	10,969	8,590	19,088
—UK Corporate Banking	3,470	2,784	5,980
Retail Markets			
—Retail	6,763	6,217	12,763
—Wealth Management	1,480	1,227	2,413
Ulster Bank	1,320	1,227	2,557
Citizens	2,824	2,897	5,874
RBS Insurance	3,195	3,150	6,447
Manufacturing	26	7	31
Central items	4,666	3,471	8,101
Elimination of intra-group transactions	(10,887)	(8,100)	(18,968)
	23,826	21,470	44,286

5. Segmental analysis (Continued)

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Operating profit before tax			
Corporate Markets			
—Global Banking & Markets	2,170	1,829	3,816
—UK Corporate Banking	981	878	1,758
Total Corporate Markets	3,151	2,707	5,574
Retail Markets			
—Retail	1,160	1,085	2,258
—Wealth Management	202	158	318
Total Retail Markets	1,362	1,243	2,576
Ulster Bank	238	198	421
Citizens	752	812	1,582
RBS Insurance	255	351	749
Manufacturing	—	—	—
Central items	(652)	(708)	(1,488)
	5,106	4,603	9,414
Amortisation of purchased intangible assets	(43)	(49)	(94)
Integration costs	(55)	(43)	(134)
	5,008	4,511	9,186

6. Dividend*

During the period a dividend of 22.1p per ordinary share (2005 – 17.7p) in respect of the final dividend for 2006 was paid to ordinary shareholders, making 30.2p per ordinary share for the year as a whole. In line with our policy the directors have declared an interim dividend for 2007 representing one third of 2006's total dividend. The interim dividend of 10.1p per ordinary share will be paid on 5 October 2007 to shareholders registered on 17 August 2007.

* prior period data have been restated to reflect the two for one bonus issue of ordinary shares in May 2007.

7. Analysis of repurchase agreements

	30 June 2007 £m	31 December 2006 (Audited) £m	30 June 2006 £m
Reverse repurchase agreements and stock borrowing			
Loans and advances to banks	64,697	54,152	41,159
Loans and advances to customers	79,469	62,908	45,813
Repurchase agreements and stock lending			
Deposits by banks	81,335	76,376	59,531
Customer accounts	81,703	63,984	56,915

8. Litigation

Proceedings, including consolidated class actions on behalf of former Enron securities holders, have been brought in the United States against a large number of defendants, including the Group, following the collapse of Enron. The claims against the Group could be significant; the class plaintiff's position is that each defendant is responsible for an entire aggregate damage amount less settlements—they have not quantified claimed damages against the Group in particular. The Group considers that it has substantial and credible legal and factual defences to these claims and it continues to defend them vigorously. A number of other defendants have reached settlements in the principal class action. The Group is unable reliably to estimate the possible loss to it in relation to these matters or the effect that the possible loss might have on the Group's consolidated net assets or its operating results or cashflows in any particular period. In addition, pursuant to requests received from the US Securities and Exchange Commission and the Department of Justice, the Group has provided copies of Enron-related materials to these authorities and has co-operated fully with them.

On 27 July 2007, following discussions between the Office of Fair Trading ('OFT'), the Financial Ombudsman Service, the Financial Services Authority and all the major UK banks (including the Group) in the first half of 2007, the OFT issued proceedings in a test case against the banks including the Group to determine the legal status and enforceability of certain charges relating to unauthorised overdrafts. The Group maintains that its charges are fair and enforceable and intends to defend its position vigorously. The Group cannot predict with any certainty the outcome of the test case and is unable reliably to estimate the liability, if any, that may arise or its effect on the Group's consolidated net assets, operating results or cash flows in any particular period.

Members of the Group are engaged in other litigation in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against them arising in the ordinary course of business. The Group has reviewed these other actual, threatened and known potential claims and proceedings and, after consulting with its legal advisers, is satisfied that the outcome of these other claims and proceedings will not have a material adverse effect on its consolidated net assets, operating results or cash flows in any particular period.

9. Analysis of consolidated equity

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Called-up share capital			
At beginning of period	815	826	826
Bonus issue of ordinary shares*	1,576	—	—
Shares issued during the period	—	2	2
Shares repurchased during the period	—	(3)	(13)
At end of period	<u>2,391</u>	<u>825</u>	<u>815</u>
Share premium account			
At beginning of period	12,482	11,777	11,777
Bonus issue of ordinary shares*	(1,576)	—	—
Shares issued during the period	460	446	815
Shares repurchased during the period	—	—	(381)
Redemption of preference shares classified as debt	159	271	271
At end of period	<u>11,525</u>	<u>12,494</u>	<u>12,482</u>
Merger reserve			
At beginning and end of period	<u>10,881</u>	<u>10,881</u>	<u>10,881</u>
Available-for-sale reserves			
At beginning of period	1,528	(73)	(73)
Currency translation adjustments	17	(6)	(43)
Unrealised (losses)/gains in the period	(376)	1,475	2,652
Realised gains in the period	(117)	(81)	(313)
Taxation	204	(397)	(695)
At end of period	<u>1,256</u>	<u>918</u>	<u>1,528</u>
Cash flow hedging reserve			
At beginning of period	(149)	59	59
Currency translation adjustments	—	(10)	—
Amount recognised in equity during the period	(26)	216	(109)
Amount transferred from equity to earnings in the period	(99)	(71)	(140)
Taxation	24	(57)	41
At end of period	<u>(250)</u>	<u>137</u>	<u>(149)</u>
Foreign exchange reserve			
At beginning of period	(872)	469	469
Retranslation of net assets, net of related hedges	(220)	(676)	(1,341)
At end of period	<u>(1,092)</u>	<u>(207)</u>	<u>(872)</u>

* in May 2007, the Group capitalised £1,576 million of its share premium account by way of a two for one bonus issue of ordinary shares of 25p each.

9. Analysis of consolidated equity (Continued)

	First half 2007 £m	First half 2006 £m	Full year 2006 (Audited) £m
Capital redemption reserve			
At beginning of period	170	157	157
Shares repurchased during the period	—	3	13
At end of period	<u>170</u>	<u>160</u>	<u>170</u>
Retained earnings			
At beginning of period	15,487	11,346	11,346
Profit attributable to ordinary and equity preference shareholders	3,661	3,069	6,393
Ordinary dividends paid	(2,091)	(1,699)	(2,470)
Equity preference dividends paid	(106)	(91)	(191)
Shares repurchased during the period	—	(201)	(624)
Redemption of preference shares classified as debt	(159)	(271)	(271)
Actuarial (losses)/gains recognised in retirement benefit schemes, net of tax ⁽¹⁾	(48)	—	1,262
Net cost of shares bought and used to satisfy share-based payments	(38)	—	(38)
Share-based payments, net of tax	32	20	80
At end of period	<u>16,738</u>	<u>12,173</u>	<u>15,487</u>
Own shares held			
At beginning of period	(115)	(7)	(7)
Shares purchased during the period	(50)	—	(254)
Shares issued under employee share schemes	90	1	146
At end of period	<u>(75)</u>	<u>(6)</u>	<u>(115)</u>
Shareholders' equity at end of period	41,544	37,375	40,227
Minority interests			
At beginning of period	5,263	2,109	2,109
Currency translation adjustments and other movements	4	(177)	(297)
Profit attributable to minority interests	75	55	104
Dividends paid	(55)	(41)	(66)
Unrealised (losses)/gains on available-for-sale reserves	(332)	1,712	2,140
Equity raised	—	528	1,354
Equity withdrawn and disposals	(41)	—	(81)
At end of period	<u>4,914</u>	<u>4,186</u>	<u>5,263</u>
Total equity at end of period	46,458	41,561	45,490

(1) The movement of £48 million in the first half of 2007 reflects the reduction in deferred tax asset on actuarial losses recognised in retirement benefit schemes following the change in the rate of UK Corporation Tax.

10. Analysis of contingent liabilities and commitments

	30 June 2007 £m	31 December 2006* (Audited) £m	30 June 2006* £m
Contingent liabilities			
Guarantees and assets pledged as collateral security . . .	10,996	10,725	11,733
Other contingent liabilities	9,633	9,121	8,075
	<u>20,629</u>	<u>19,846</u>	<u>19,808</u>
Commitments			
Undrawn formal standby facilities, credit lines and other commitments to lend	261,280	242,655	226,475
Other commitments	2,932	2,402	2,855
	<u>264,212</u>	<u>245,057</u>	<u>229,330</u>
Total contingent liabilities and commitments	<u>284,841</u>	<u>264,903</u>	<u>249,138</u>

* restated.

11. Filings with the US Securities and Exchange Commission (SEC)

The Group's interim results will be filed with the SEC in a report on Form 6-K.

12. Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("the Act"). The statutory accounts for the year ended 31 December 2006 have been filed with the Registrar of Companies and have been reported on by the auditors under section 235 of the Act. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Act.

13. Auditor's review

The interim results have been reviewed by the Group's auditors, Deloitte & Touche LLP, and their review report is set out on page 45.

14. Date of approval

This announcement was approved by the Board of directors on 2 August 2007.

ANALYSIS OF INCOME, EXPENSES AND IMPAIRMENT LOSSES

	First half 2007 £m	First half 2006 £m	Full year 2006 £m
Fees and commissions receivable	3,588	3,543	7,116
Fees and commissions payable			
—banking	(715)	(733)	(1,432)
—insurance related	(201)	(252)	(490)
Net fees and commissions	2,672	2,558	5,194
Foreign exchange	424	258	738
Interest rate	922	634	973
Credit	421	496	841
Other	108	65	123
Income from trading activities	1,875	1,453	2,675
Rental income and other asset-based activities	1,184	1,039	2,149
Other income			
—principal investments	288	203	794
—net realised gains on available-for-sale securities	15	66	196
—dividend income	35	41	73
—profit on sale of property, plant and equipment	92	50	125
—other	98	58	227
Other operating income	1,712	1,457	3,564
Non-interest income (excluding insurance premiums)	6,259	5,468	11,433
Insurance net premium income	3,048	2,980	5,973
Total non-interest income	9,307	8,448	17,406
Staff costs			
—wages, salaries and other staff costs	3,020	2,725	5,641
—social security costs	196	203	389
—pension costs	269	290	617
Premises and equipment	744	660	1,411
Other	1,306	1,268	2,626
Administrative expenses	5,535	5,146	10,684
Operating lease depreciation	362	403	787
Other depreciation and amortisation	401	399	781
Operating expenses	6,298	5,948	12,252
General insurance	2,130	1,962	3,970
Bancassurance	285	242	488
Insurance net claims	2,415	2,204	4,458
Loan impairment losses	851	889	1,877
Impairment of available-for-sale securities	20	(2)	1
Impairment losses	871	887	1,878

Note: the data above exclude amortisation of purchased intangibles and integration costs.

REGULATORY RATIOS

	30 June 2007 £m	31 December 2006 £m	30 June 2006 £m
Capital base			
Ordinary shareholders' funds and minority interests less intangibles	20,985	20,281	19,232
Preference shares and tax deductible securities	10,166	9,760	9,892
Tier 1 capital	31,151	30,041	29,124
Tier 2 capital	26,955	27,491	26,674
	58,106	57,532	55,798
Less: Supervisory deductions	(5,803)	(10,583)	(10,111)
	52,303	46,949	45,687
Risk-weighted assets			
Banking book			
—on-balance sheet	333,400	318,600	313,800
—off-balance sheet	62,700	59,400	52,800
Trading book	23,600	22,300	18,900
	419,700	400,300	385,500
Risk asset ratio			
Tier 1	7.4%	7.5%	7.6%
Total	12.5%	11.7%	11.9%
Composition of capital			
Tier 1			
Shareholders' equity and minority interests	43,110	41,700	38,455
Innovative tier 1 securities and preference shares	4,264	4,900	5,148
Goodwill and other intangible assets	(18,868)	(18,904)	(19,380)
Regulatory and other adjustments	2,645	2,345	4,901
Total qualifying tier 1 capital	31,151	30,041	29,124
Tier 2			
Unrealised gains in available-for-sale equity securities in shareholders' equity and minority interests	3,348	3,790	3,106
Collective impairment losses, net of taxes	2,374	2,267	2,361
Qualifying subordinated liabilities	20,663	21,024	21,165
Minority and other interests in tier 2 capital	570	410	42
Total qualifying tier 2 capital	26,955	27,491	26,674
Supervisory deductions			
Unconsolidated investments	4,147	3,870	3,617
Investments in other banks ⁽¹⁾	64	5,203	4,594
Other deductions	1,592	1,510	1,900
	5,803	10,583	10,111
Total regulatory capital	52,303	46,949	45,687

(1) The reduction in supervisory deductions for investments in other banks reflects changes to the FSA rules following the implementation of certain provisions of the EU Capital Requirements Directive with effect from 1 January 2007. This affects the Group's investment in Bank of China which is now included in risk-weighted assets.

ASSET QUALITY

Analysis of loans and advances to customers

The following table analyses loans and advances to customers (including reverse repurchase agreements and stock borrowing) by industry and geography.

	30 June 2007 £m	31 December 2006 £m	30 June 2006 £m
Central and local government	3,806	6,732	3,093
Finance	38,073	25,017	27,796
Individuals – home	71,148	70,884	66,800
Individuals – other	27,763	27,922	27,658
Other commercial and industrial comprising:			
—Manufacturing	11,410	11,051	10,966
—Construction	9,155	8,251	7,574
—Service industries and business activities	46,453	43,887	42,905
—Agriculture, forestry and fishing	2,472	2,767	2,638
—Property	42,933	39,296	35,994
Finance leases and instalment credit	14,529	14,218	14,139
Interest accruals	1,566	1,497	1,155
Total domestic	269,308	251,522	240,718
Overseas residents	77,779	69,242	57,380
Total UK offices	347,087	320,764	298,098
Overseas			
US	93,808	92,166	86,769
Rest of the World	66,362	57,896	50,464
Total Overseas offices	160,170	150,062	137,233
Loans and advances to customers – gross	507,257	470,826	435,331
Loan impairment provisions	(4,060)	(3,933)	(4,035)
Total loans and advances to customers	503,197	466,893	431,296
Reverse repurchase agreements included in the analysis above:			
Central and local government	—	3,677	—
Finance	28,699	17,540	18,564
Accruals	185	220	153
	28,884	21,437	18,717
Overseas residents	23,556	18,487	14,654
Total UK offices	52,440	39,924	33,371
US	22,849	19,383	12,298
Rest of the World	4,180	3,601	144
Total	79,469	62,908	45,813
Loans and advances to customers excluding reverse repurchase agreements—net	423,728	403,985	385,483

Risk elements in lending

The Group's loan control and review procedures do not include the classification of loans as non-accrual, accruing past due, restructured and potential problem loans, as defined by the Securities and Exchange Commission ('SEC') in the US.

The following table shows the estimated amount of loans which would be reported using the SEC's classifications. The figures are stated before deducting the value of security held or related provisions.

	30 June 2007 £m	31 December 2006 £m	30 June 2006 £m
Loans accounted for on a non-accrual basis ⁽²⁾ :			
—Domestic	5,560	5,420	5,461
—Foreign	819	812	809
	6,379	6,232	6,270
Accruing loans which are contractually overdue 90 days or more as to principal or interest ⁽³⁾ :			
—Domestic	32	81	7
—Foreign	38	24	30
	70	105	37
Loans not included above which are 'troubled debt restructurings' as defined by the SEC:			
—Domestic	—	—	1
—Foreign	—	—	—
	—	—	1
Total risk elements in lending	6,449	6,337	6,308
Potential problem loans ⁽⁴⁾ :			
—Domestic	29	47	86
—Foreign	1	5	1
	30	52	87
Closing provisions for impairment as a % of total risk elements in lending and potential problem loans	63%	62%	63%
Risk elements in lending as a % of gross lending to customers excluding reverse repos	1.51%	1.55%	1.62%
Risk elements in lending and potential problem loans as a % of gross lending to customers excluding reverse repos	1.51%	1.57%	1.64%

(1) For the analysis above, 'Domestic' consists of the United Kingdom domestic transactions of the Group. 'Foreign' comprises the Group's transactions conducted through offices outside the UK and through those offices in the UK specifically organised to service international banking transactions.

(2) All loans against which an impairment provision is held are reported in the non-accrual category.

(3) Loans where an impairment event has taken place but no impairment recognised. This category is used for fully collateralised non-revolving credit facilities.

(4) Loans for which an impairment event has occurred but no impairment provision is necessary. This category is used for fully collateralised advances and revolving credit facilities where identification as 90 days overdue is not feasible.

MARKET RISK

The Group manages the market risk in its trading and treasury portfolios through its market risk management framework. This expresses limits based on, but not limited to: value-at-risk (VaR); stress testing and scenario analysis; and position and sensitivity analyses. VaR is a technique that produces estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels. The table below sets out the VaR, at a 95 per cent. confidence level and a one-day time horizon, for the Group's trading and treasury portfolios. The VaR for the Group's trading portfolios includes idiosyncratic risk and is segregated by type of market risk exposure.

	Average £m	Period end £m	Maximum £m	Minimum £m
Trading VaR				
Interest rate	11.7	11.4	15.9	9.0
Credit spread	14.6	13.9	15.9	13.0
Currency	2.1	1.8	5.2	1.1
Equity and commodity	2.3	2.6	3.8	1.6
Diversification effects		(13.0)		
30 June 2007	16.1	16.7	19.0	13.2
31 December 2006	14.2	15.6	18.9	10.4
30 June 2006	13.1	14.5	16.2	10.4
Treasury VaR				
30 June 2007	2.8	3.4	3.9	1.3
31 December 2006	2.4	1.5	4.4	0.6
30 June 2006	3.3	2.7	4.4	2.5

The Group's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include:

—Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.

—VaR using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.

—VaR using a 95 per cent. confidence level does not reflect the extent of potential losses beyond that percentile.

The Group largely computes the VaR of trading portfolios at the close of business and positions may change substantially during the course of the trading day. Controls are in place to limit the Group's intra-day exposure, such as the calculation of VaR for selected portfolios. These limitations and the nature of the VaR measure mean that the Group cannot guarantee that losses will not exceed the VaR amounts indicated. The Group undertakes stress testing to identify the potential for losses in excess of the VaR.

The Group's treasury activities include its money market business and the management of internal funds flow within the Group's businesses.

OTHER INFORMATION

	30 June 2007	31 December 2006	30 June 2006
Ordinary share price*	£6.33	£6.64	£5.93
Number of ordinary shares in issue*	9,456m	9,459m	9,576m
Market capitalisation	£59.9bn	£62.8bn	£56.8bn
Net asset value per ordinary share*	£3.96	£3.86	£3.55
Employee numbers (full time equivalents rounded to the nearest hundred)			
Global Banking & Markets	9,900	8,600	7,900
UK Corporate Banking	9,000	8,800	8,500
Retail	37,800	38,900	39,900
Wealth Management	4,700	4,500	4,300
Ulster Bank	6,100	5,600	5,700
Citizens	22,500	23,100	23,400
RBS Insurance	17,500	17,500	18,400
Manufacturing	25,100	25,400	25,200
Centre	2,800	2,600	2,500
Group total	135,400	135,000	135,800

* prior period data have been restated to reflect the two for one bonus issue of ordinary shares in May 2007.

FORWARD-LOOKING STATEMENTS

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

In particular, this document includes forward-looking statements relating, but not limited, to the Group’s potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G-7 central banks; inflation; deflation; unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices; changes in UK and foreign laws, regulations and taxes; changes in competition and pricing environments; natural and other disasters; the inability to hedge certain risks economically; the adequacy of loss reserves; acquisitions or restructurings; technological changes; changes in consumer spending and saving habits; and the success of the Group in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this report, and the Group does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

INDEPENDENT REVIEW REPORT TO THE ROYAL BANK OF SCOTLAND GROUP plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of recognised income and expense, the condensed consolidated cash flow statement and related notes 1 to 14 (“the financial information”). We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The interim report, including the financial information, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and the requirements of IAS 34 which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP
Chartered Accountants
Edinburgh

2 August 2007

RESTATEMENTS

Divisional results for 2006 have been restated to reflect transfers of operations and businesses between divisions in the second half of 2006 and the first half of 2007, principally the transfer of our European Consumer Finance business from Retail to Ulster Bank. These changes do not affect the Group's results.

	First half 2006			Full year 2006		
	Previously reported £m	Transfers £m	Restated £m	Previously reported £m	Transfers £m	Restated £m
Global Banking & Markets						
—Net interest income	796	—	796	1,629	3	1,632
—Non-interest income	2,452	23	2,475	5,197	33	5,230
—Other costs	189	6	195	427	9	436
Contribution	<u>1,882</u>	<u>17</u>	<u>1,899</u>	<u>3,933</u>	<u>27</u>	<u>3,960</u>
UK Corporate Banking						
—Net interest income	1,056	(10)	1,046	2,169	1	2,170
—Non-interest income	657	(18)	639	1,284	4	1,288
—Staff costs	268	1	269	562	2	564
—Other costs	85	(2)	83	183	3	186
Contribution	<u>1,115</u>	<u>(27)</u>	<u>1,088</u>	<u>2,189</u>	<u>—</u>	<u>2,189</u>
Retail						
—Net interest income	2,057	(51)	2,006	4,211	(100)	4,111
—Non-interest income	1,703	(2)	1,701	3,492	(33)	3,459
—Staff costs	648	(17)	631	1,349	(33)	1,316
—Other costs	346	(23)	323	656	(38)	618
—Impairment losses	678	(21)	657	1,343	(33)	1,310
Contribution	<u>1,846</u>	<u>8</u>	<u>1,854</u>	<u>3,867</u>	<u>(29)</u>	<u>3,838</u>
Wealth Management						
—Net interest income	239	(2)	237	500	(4)	496
—Non-interest income	222	(23)	199	434	(41)	393
—Other costs	68	(5)	63	137	(10)	127
Contribution	<u>248</u>	<u>(20)</u>	<u>228</u>	<u>497</u>	<u>(35)</u>	<u>462</u>
Ulster Bank						
—Net interest income	363	52	415	773	100	873
—Non-interest income	108	20	128	215	37	252
—Staff costs	107	14	121	224	30	254
—Other costs	41	21	62	91	40	131
—Impairment losses	37	20	57	71	33	104
Contribution	<u>286</u>	<u>17</u>	<u>303</u>	<u>602</u>	<u>34</u>	<u>636</u>
RBS Insurance						
—Staff costs	158	(3)	155	319	—	319
Contribution	<u>453</u>	<u>3</u>	<u>456</u>	<u>964</u>	<u>—</u>	<u>964</u>
Manufacturing						
—Staff costs	368	2	370	763	—	763
—Other costs	1,021	8	1,029	2,089	21	2,110
Contribution	<u>(1,389)</u>	<u>(10)</u>	<u>(1,399)</u>	<u>(2,852)</u>	<u>(21)</u>	<u>(2,873)</u>
Centre						
—Funding and corporate costs	445	(21)	424	917	(24)	893
—Departmental and other costs . . .	205	9	214	451	—	451
Contribution	<u>(650)</u>	<u>12</u>	<u>(638)</u>	<u>(1,368)</u>	<u>24</u>	<u>(1,344)</u>

FINANCIAL CALENDAR

2007 interim dividend payment	5 October 2007
2007 annual results announcement	28 February 2008
2007 final dividend payment	June 2008
2008 interim results announcement	August 2008

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PART IV

UNAUDITED INTERIM FINANCIAL INFORMATION RELATING TO ABN AMRO

The following is the full text of the unaudited interim financial information for ABN AMRO for the six months ended 30 June 2007 which is a complete copy of the press release dated 30 July 2007 relating to the ABN AMRO results for the six months ended 30 June 2007.

Amsterdam, 30 July 2007

ABN AMRO reports first half 2007 results:

Strong operating performance in conditions of corporate uncertainty

- **Increase in first half operating result**
 - Reported revenue growth of 12.6 per cent.; adjusted (see footnote and page 54 for adjustments) operating revenue growth of 14.3 per cent. driven by increases in all Business Units (BUs), supported by a strong performance of the BU Global Markets.
 - Reported operating expenses up 14.0 per cent.; adjusted operating expenses up 8.6 per cent., well below the growth in revenues.
 - Reported operating result up 9.1 per cent., reported efficiency ratio up 0.9 per cent.; adjusted operating result up 29.1 per cent., leading to a 3.6 percentage-point improvement in the adjusted efficiency ratio to 68.5 per cent.
 - Reported profit for the period down 1.4 per cent.; adjusted profit for the period up 13.4 per cent. to EUR 2,390 mln, despite higher taxes and loan loss impairments, as a result of a strong performance of the BUs Asia, Latin America and Europe, supported by Global Markets and Transaction Banking.
 - BU Global Markets profit for the period EUR 730 mln, an increase of 94.1 per cent.
- **Second quarter operating result increased further**
 - Reported operating income up 4.6 per cent.; adjusted operating income up 3.1 per cent., driven by the BUs Europe and Latin America, supported by further growth in Global Markets and Global Clients.
 - Reported operating expenses down 4.0 per cent.; adjusted operating expenses up 3.5 per cent.
 - Reported operating result increased 30.9 per cent.; adjusted operating result up 2.2 per cent. following a strong first quarter.
 - Antonveneta results below expectations; actions and initiatives reinforced to improve revenue growth.
- **Well on track to beat the 2007 EPS target of EUR 2.30 on an adjusted basis**
 - Core tier 1 ratio 6.12 per cent. and tier 1 ratio 8.17 per cent., well above the year-end targets of 6 per cent. and 8 per cent.
 - Interim dividend 2007 of EUR 0.58, up 3 cents or 5.5 per cent.

Chairman's statement

“We are well on track to deliver an EPS of at least EUR 2.30 on an adjusted basis as the change in the organisational structure implemented in 2006 created the conditions for improvement in our performance. Further execution of the initiatives set for 2007 (growth, efficiency, and acceleration of action plans) led to a strong second quarter, which was otherwise marked by conditions of uncertainty for ABN AMRO. The improvement has been driven by our strong local client relationships and the commitment of our staff to deliver. The increase in the interim dividend reflects the improvement in the

operational performance in the first half as well as some caution for the second half results due to the current corporate uncertainty. We continue to be well on track to deliver our 2007 EPS target.”

	Year to date				Quarterly							
	2007	2006	% change	% change ⁽²⁾	Q2 2007	Q1 2007	% change	% change ⁽²⁾	Q2 2006	% change	% change ⁽²⁾	
	(in millions of euros)				(in millions of euros)				(in millions of euros)			
Total operating income	10,653	9,461	12.6	14.2	5,446	5,207	4.6	4.2	4,830	12.8	13.1	
Total operating expenses	7,690	6,745	14.0	15.1	3,766	3,924	(4.0)	(4.3)	3,466	8.7	8.4	
Operating result	2,963	2,716	9.1	11.9	1,680	1,283	30.9	30.4	1,364	23.2	25.2	
Loan impairment	886	720	23.1	24.1	483	403	19.9	17.4	400	20.8	18.3	
Operating profit before tax	2,077	1,996	4.1	7.5	1,197	880	36.0	36.3	964	24.2	28.0	
Net operating profit	1,666	1,679	(0.8)	3.5	946	720	31.4	33.8	913	3.6	10.2	
Discontinued operations (net)	554	573			210	344			301			
Profit for the period	2,220	2,252	(1.4)	3.8	1,156	1,064	8.6	10.8	1,214	(4.8)	1.2	
Net profit attributable to shareholders	2,165	2,219	(2.4)	2.8	1,130	1,035	9.2	11.4	1,216	(7.1)	(1.1)	
Earnings per share (euros)	1.17	1.18	(0.8)		0.61	0.56	8.9		0.65	(6.2)		
EPS from continuing operations (euro)	0.87	0.88	(1.1)		0.50	0.37	35.1		0.49	2.0		
Efficiency ratio	72.2%	71.3%			69.2%	75.4%			71.8%			

Notes:

(1) All figures exclude the consolidation effect of controlled non-financial investments (see annex 2).

(2) Percentage change at constant foreign exchange rates (see annex 2).

The difference between reported and adjusted figures are gains on disposals (income Q2 06: EUR 208 mln gross and net; discontinued Q1 07: EUR 97 mln gross and net; discontinued Q2 07: EUR (4) mln gross and net; income Q2 07: EUR 77 mln gross, EUR 72 mln net), restructuring charges (expenses Q2 06: EUR 72 mln gross, EUR 55 mln net; discontinued Q2 06: EUR (12) mln gross, EUR (8) mln net), provision for the Department of Justice (DOJ) investigation (expenses Q1 07: EUR 365 mln gross, EUR 275 mln net) and transaction-related advisory fees (expenses Q2 07: EUR 81 mln gross, EUR 60 mln net). Please also refer to page 54.

The results of LaSalle are reported as “discontinued operations” in 2006 and 2007. For a further breakdown of the profit from discontinued operations net of tax we refer to Annex 3, note 11.

Dear shareholder,

The first half of this year has seen momentous events for ABN AMRO and it is against this backdrop that I am pleased to report the strong operating performance of the Group. In 2006 we implemented changes to the Group's organisational structure, and we identified 2007 as "a year of delivery". These changes have resulted in improved operational performance in 2007, and the delivery of earnings growth.

These results demonstrate the strengths of our strong local client relationships, the dedication and resilience of our staff, and the robustness of our businesses. At the start of this year we called 2007 "a year of delivery". Delivery is defined as earnings per share of at least EUR 2.30 on an adjusted basis. In the first six months of this year we have delivered reported earnings per share of EUR 1.17 and adjusted earnings per share of EUR 1.26, and we can conclude that we are well on track to deliver at least the EUR 2.30 on an adjusted basis, which we committed to at the start of this year.

The increase in profitability is the result of a significant improvement in the operating performance as delivered on the three key themes of growth, efficiency and the acceleration of the action plan. This performance is underpinned by the breadth and depth of our global banking businesses, which provides an established platform for developing further growth.

1 Growth

The three key growth areas are Brazil, Asia and Italy.

In Brazil we saw a continuation of the benign economic environment and a continuation of declining interest rates, driving strong loan growth. The good performance in Brazil was underpinned by a further improvement in the efficiency ratio, resulting in the BU Latin America being the third largest profit contributor after the BU Netherlands and the BU North America.

In Asia we realised strong operating momentum as profit for the period increased to EUR 224 mln, resulting in a significant contribution to the Group's profit for the period. We also continued to build our consumer and commercial operations further in selected markets through for instance the acquisition of Prime Bank in Pakistan, one of our focus countries, and further branch openings in India, where we currently have 28 branches. We also received approval for local incorporation in China.

Antonveneta has been part of the Group for a year now. The plans to transform Antonveneta's consumer bank are well on their way. Most branches have been refurbished, new service concepts such as Preferred Banking will be introduced in the third quarter, and new employees have been recruited. The position of the commercial bank will be further strengthened as we roll out the ABN AMRO product suite. The private bank is being built, with another two branches having recently been opened, bringing the total to nine. The results of the first half of 2007 reflect the time and effort it has taken to rebuild Antonveneta, but the initiatives launched provide us with the comfort that Antonveneta will deliver a strong increase in its operating performance in the second half of 2007.

2 Efficiency

Good progress has been made to reduce the efficiency ratios of the constituent parts of the Group to levels in line with their respective peers.

A return to profitability of the BU Europe has been one of the highest priorities in 2007 and I am very pleased with the progress made in this respect. The BU Europe had its third consecutive quarter of profitability driven by upgraded service to Financial Institutions, a key client group to ABN AMRO, further growth in our successful private investor products, and continued growth in the Eastern European activities. In addition, tight cost control and capital discipline have secured the base for the BU Europe, which is well on track to meet the Group's targeted return on assigned risk capital.

The steps taken to improve the operational efficiency of the BU North America have successfully been executed. The reduction of the workforce was accelerated and finalised in the second quarter. The early signs of improved efficiency are already visible in the results of BU North America including LaSalle (further details on LaSalle can be found in Annex 3, note 11). On 23 April 2007 we announced an agreement to sell LaSalle for USD 21 bln to Bank of America, a decision that was validated by the Supreme Court on 13 July.

This transaction will be consummated once regulatory approval has been granted. The results for LaSalle are therefore reported in discontinued activities.

The BU Netherlands showed further improvement in its efficiency ratio to 65.6 per cent. in the first half of 2007, and, despite the current uncertainty surrounding ABN AMRO, delivered a strong net operating result driven by intensified client coverage and improved client satisfaction rates.

3 Acceleration of existing initiatives

The BU Global Markets has delivered an impressive turnaround in terms of both efficiency and profitability. We believe the improvement results from a focus on more value-added structured products and participation choices in terms of product availability and geographic presence. The efficiency ratio of the BU Global Markets of 68.3 per cent. is now in line with the Group, and compares favourably with the 90.9 per cent. efficiency ratio of 2005, at the end of which the BU Global Markets was created. The BU Global Markets' operating profit in the first half of 2007 is almost three times that for the full year 2005.

The shift in business mix of the BU Global Clients away from the traditional loan products to fee-driven products, as initiated some years ago, resulted in a clear improvement in the build-up of earnings. Currently, 78 per cent. of earnings are from non-interest income, resulting in a higher quality of income and a lower dependence on capital. As a result, the BU Global Clients has achieved a strong improvement in its return on assigned risk capital, and is now meeting its 2007 return target of 20 per cent.

The announced measures to improve the cost efficiency and productivity in Group Functions were expected to affect more than 500 Full-Time Equivalent (FTE) members of staff, mainly at head office. The headcount reduction started in the first quarter and we are on track to deliver this reduction.

We continued to divest non-core assets in the first six months of the year as we finalised the sale of the Private Clients activities in Miami and Uruguay. Furthermore, we announced the sale to Mellon Bank N.A. of ABN AMRO's 50 per cent. share in ABN AMRO Mellon Global Securities Services B.V., the joint venture company established by ABN AMRO and Mellon in 2003, aimed at providing global custody and related services to institutions outside North America, to Mellon Bank N.A. The transaction is expected to close in the third quarter of 2007.

The Dutch Central Bank (DNB) announced on 26 July 2007 that it has lifted its directive regarding compliance deficiencies at ABN AMRO. The Directive, along with the Order to Cease and Desist from the US regulators, was put in place in December 2005. It is gratifying to see the DNB recognising the positive outcome of the steps we have taken across ABN AMRO. We have not only strengthened the compliance environment within the bank but are also building one of the strongest anti-money laundering and compliance organisations in the financial services industry. We are committed to continuing to operate at the forefront of compliance best practice.

The year 2007 will be a year of delivery in many ways. At this point in time the outcome is uncertain, but I have no doubt that the strengths and values of ABN AMRO will provide strong returns to shareholders of ABN AMRO in 2007 and well beyond. We are delivering on our commitment to improve the operating performance of the Group. This improvement to date has been and will be achieved in sometimes difficult times marked by corporate uncertainty, and is driven by the commitment of our staff to deliver, continuing strong local client relationships and resilience of the businesses. I would like to thank all our employees and clients for making more possible.

Yours sincerely,

Rijkman Groenink

FINANCIAL SUMMARY

ABN AMRO Group

	Year to date				Quarterly							
	2007	2006	% change	% change ⁽²⁾	Q2 2007	Q1 2007	% change	% change ⁽²⁾	Q2 2006	% change	% change ⁽²⁾	
	<i>(in millions of euros)</i>				<i>(in millions of euros)</i>				<i>(in millions of euros)</i>			
Net interest income	4,784	4,467	7.1	8.6	2,446	2,338	4.6	3.2	2,247	8.9	8.2	
Net fees and commissions	2,872	2,602	10.4	12.4	1,504	1,368	9.9	10.1	1,310	14.8	15.8	
Net trading income	1,937	1,479	31.0	31.1	938	999	(6.1)	(5.4)	654	43.4	43.6	
Results from financial transactions	628	320	96.3	100.9	330	298	10.7	11.7	229	44.1	51.4	
Results from equity holdings	138	124	11.3	12.8	62	76	(18.4)	(18.9)	74	(16.2)	(16.5)	
Other operating income	294	469	(37.3)	(35.9)	166	128	29.7	30.5	316	(47.5)	(46.4)	
Total operating income	10,653	9,461	12.6	14.2	5,446	5,207	4.6	4.2	4,830	12.8	13.1	
Total operating expenses	7,690	6,745	14.0	15.1	3,766	3,924	(4.0)	(4.3)	3,466	8.7	8.4	
Operating result	2,963	2,716	9.1	11.9	1,680	1,283	30.9	30.4	1,364	23.2	25.2	
Loan impairment	886	720	23.1	24.1	483	403	19.9	17.4	400	20.8	18.3	
Operating profit before tax	2,077	1,996	4.1	7.5	1,197	880	36.0	36.3	964	24.2	28.0	
Income tax expense	411	317	29.7	28.4	251	160	56.9	48.0	51			
Net operating income	1,666	1,679	(0.8)	3.5	946	720	31.4	33.8	913	3.6	10.2	
Discontinued operations (net)	554	573			210	344			301			
Profit for the period	2,220	2,252	(1.4)	3.8	1,156	1,064	8.6	10.8	1,214	(4.8)	1.2	
Net profit attributable to shareholders	2,165	2,219	(2.4)	2.8	1,130	1,035	9.2	11.4	1,216	(7.1)	(1.1)	
Earnings per share (euros)	1.17	1.18	(0.8)		0.61	0.56	8.9		0.65	(6.2)		
EPS from continuing operations (euro)	0.87	0.88	(1.1)		0.50	0.37	35.1		0.49	2.0		
Efficiency ratio	72.2%	71.3%			69.2%	75.4%			71.8%			

Notes:

(1) All figures exclude the consolidation effect of controlled non-financial investments (see annex 2).

(2) Percentage change at constant foreign exchange rates (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change
Staff (FTE) ^(*)	110,324	105,608	4.5	107,819	2.3	106,999	3.1
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>	
Total assets ^(*)	1,120.1	986.0	13.6	1,054.6	6.2	987.1	13.5
Group capital	41.5	44.6	(7.0)	46.9	(11.5)	45.1	(8.0)
Risk-weighted assets ^(*)	294.3	300.2	(2.0)	283.3	3.9	280.7	4.8

(*) Total assets and risk-weighted assets are including discontinued operations. FTE are including LaSalle, however excluding Bouwfonds and AAMG.

Core tier 1 ratio	6.12%	5.99%	6.25%	6.18%
BIS tier 1 ratio	8.17%	8.16%	8.44%	8.45%
BIS capital ratio	10.52%	10.76%	11.30%	11.14%

The figures in the press release have not been subject to audit

Figures are excluding consolidation effect of controlled non-financial investments, also referred to as private equity investments

All figures are stated excluding the consolidation effect of controlled non-financial investments. The consolidation effect is the impact per line item of these investments, which are consolidated under IFRS. We believe that combining the temporary holdings in private equity investments active in different types of business other than our financial business does not provide a meaningful basis for discussion of our financial condition and results of operation. We refer to Annex 2 for a further discussion of the use of these non-GAAP financial measures. We have presented in Annex 2, and investors are encouraged to review, reconciliations of the figures excluding the consolidation of private equity investments and including the consolidation effects of our controlled private equity holdings.

Figures at constant foreign exchange rates

In addition to the actual growth measures, we have explained variances in terms of “constant foreign exchange rates” or “local currency”. These variances exclude the effect of currency translation difference. We refer to Annex 2 for a further discussion of the use of these non-GAAP financial measures.

Revised interim financial statements

This press release includes a set of interim financial statements as required under IFRS. These statements have been included as Annex 3 to this press release and include a consolidated income statement, consolidated balance sheet, a consolidated statement of changes in equity and a consolidated cash flow statement as well as the relevant accompanying notes to these statements.

Reporting adjustments

For comparison reasons the figures by BU have been adjusted to reflect the following (earlier announced) changes: BU Global Clients is reported in the regions; the International Diamonds & Jewellery Group is included in Group Functions (previously BU Private Clients) and BU Asset Management includes Asset Management France (previously in BU Private Clients).

To aid the analysis of the reported figures, we have made adjustments to the reported figures for the following items in 2006 and 2007. The adjusted figures throughout this press release therefore exclude the following items:

<u>Second quarter 2006</u>	<u>Gross</u>	<u>Net</u>
	<i>(EUR million)</i>	<i>(EUR million)</i>
Gain from the sale of K&H (income)	208	208
Services restructuring charge (expenses)	72	55
Services restructuring charge (discontinued)	(12)	(8)

<u>First quarter 2007</u>	<u>Gross</u>	<u>Net</u>
	<i>(EUR million)</i>	<i>(EUR million)</i>
Provision for DOJ investigation (expenses)	365	275
Gain on the sale AAMG (discontinued)	97	97

<u>Second quarter 2007</u>	<u>Gross</u>	<u>Net</u>
	<i>(EUR million)</i>	<i>(EUR million)</i>
Gain on sale of Private Clients Miami (income)	77	72
Transaction-related advisory fees (expenses)	81	60
Adjustment to gain on the sale AAMG (discontinued)	(4)	(4)

Please note that the net operating income of LaSalle is presented as part of “results from discontinued operations” in 2006 and 2007. For a further breakdown of the profit from discontinued operations net of tax, we refer to the Interim Financial Report for the period ended 30 June 2007, note 11, as included in Annex 3.

First half 2007 compared with first half 2006

Operating income

The Group's operating income increased by 12.6 per cent. on the back of increases across all Business Units (BUs) except Group Functions. The regions include the results from the BU Global Clients. Adjusted operating income increased 14.3 per cent. as the Group's main growth engines, the BUs Latin America and Asia, showed significant growth, underpinned by a strong performance in the BUs Global Markets and Global Clients. The broad-based regional client revenue growth is the result of a consistent focus on our strong local relationships across the various regions, combined with our ability to offer a wide and competitive product suite to our mid-market clients. The BU Europe's EUR 483 mln increase in revenues, for example due to further focus on the Financial Institutions client segment, was particularly noteworthy.

Operating expenses

Operating expenses rose by 14.0 per cent. Adjusted operating expenses increased by 8.6 per cent. as higher revenues resulted in higher bonus accruals incurred in the BU Europe and Global Markets. Furthermore, the continued growth of our Asian activities, including new branch openings, resulted in EUR 156 mln higher costs. Excluding bonus accruals, adjusted operating expenses were up only 1.5 per cent., against adjusted revenue growth of 14.3 per cent., reflecting strong cost control as well as further benefits from the Group's continuing Services programme.

Operating result

The reported improvement in operating result was 9.1 per cent. The adjusted operating result was up 29.1 per cent. to EUR 3,332 mln due to an improved performance across all the regional Client BUs, underpinned by further improvement of the operational performance of the BU Global Markets and Transaction Banking. This resulted in an improvement of the adjusted efficiency ratio of 3.6 percentage points to 68.5 per cent.

Loan impairments

Provisions increased EUR 166 mln to EUR 886 mln, EUR 729 mln of which were in the consumer portfolio and EUR 157 mln in the commercial portfolio. The increase was due to further strong growth in the Brazilian high-margin retail and loan portfolios in the BU Latin America, as well as to the reclassification at Antonveneta between loan impairment and net interest income in respect of interest on impaired loans (as announced with the third quarter 2006 results), which was not applied in the first half of 2006.

Discontinued operations

Discontinued operations include the net-of-tax operating results from ABN AMRO Mortgage Group, LaSalle and Bouwfonds non-mortgage.

Profit for the period

The Group's reported profit for the period decreased by 1.4 per cent. However, the adjusted profit for the period went up by 13.4 per cent. to EUR 2,390 mln.

Risk-weighted assets

Continued active capital management, including through securitisations and loan sale, resulted in a EUR 5.9 bln decrease in risk-weighted assets (RWA) to EUR 294.3 bln.

Net profit attributable to ABN AMRO shareholders

Net profit attributable to shareholders was EUR 2,165 mln. Minority interest went up by EUR 22 mln to EUR 55 mln.

Return on equity	Return on equity for the first half was 17.8 per cent., below the target of 20 per cent. We expect to meet the 20 per cent. return on equity target for the full year 2007, including expected book profits on disposals.
Capital ratios	In the first half of 2007, we completed a EUR 1 bln share buy-back programme via the repurchase of 31.6 mln shares. The tier 1 ratio was 8.17 per cent., 1 basis point higher than at 30 June 2006. The core tier 1 ratio was 6.12 per cent., an increase of 13 basis points. The total capital ratio stood at 10.52 per cent., a decrease of 24 basis points.
Dividend	The interim dividend is 5.5 per cent. higher at EUR 0.58 and will be payable in cash only. For those shareholders who would like to elect to have the cash dividend invested in stock, ABN AMRO will facilitate the process by buying stock in the open market by means of a Dividend Reinvestment Programme (DRIP). Further details on the DRIP can be found on our website: www.abnamro.com .
Half year update	<p>The results from the BUs Global Markets, Global Clients and Transaction Banking are reported in the regions. In order to track progress against previously communicated targets, please see further disclosure on the BUs Global Clients and Global Markets on pages 83-86.</p> <p>The BU Global Markets' revenues were up by EUR 596 mln or 28.0 per cent. to EUR 2,722 mln, a record first half, due to continued strong growth in all asset and product classes. Tight cost control resulted in a market-leading 8.1 percentage-point improvement in the efficiency ratio for the first half 2007 to 68.3 per cent., excluding the Services restructuring charge in 2006. The ratio is in line with the Group's efficiency ratio, and an overall contribution to the profit for the period of the Group of 30.6 per cent. in the first six months.</p> <p>The BU Global Clients' revenues increased by EUR 343 mln or 29.4 per cent., outpacing market growth, a very strong performance driven by strong client relationships, which resulted in many cross-border transactions. Good cost control resulted in an operating result that more than doubled and a return on assigned risk capital above the target set for 2007.</p> <p>Transaction Banking was one of the main drivers behind the growth in operating result and profit for the period of the Group. The growth in Transaction Banking product revenues reflects client confidence in our Payments and Trade business. This has allowed us to close a number of large, multi-year deals around the world, creating good revenue growth while keeping costs flat. We continue to win major awards for innovation, due to our focus on building client-driven solutions that address our clients' working capital needs.</p>

Second quarter 2007 compared with first quarter 2007

Operating income	Total operating income grew by EUR 239 mln or 4.6 per cent. Adjusted operating income increased 3.1 per cent., due to further growth in the BUs Latin America, Europe, Asia, and Private Equity, partly offset by a EUR 209 mln decline in Group Functions and disappointing revenues at Antonveneta. The BU Latin America increased revenues by 13.2 per cent., mainly on the back of continued strong growth in the Brazilian retail
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loan portfolio at improved margins. Revenue growth in the BU Europe was driven by a further increase in client activity in Global Markets products. The BU Asia grew its revenues by 7.9 per cent., driven by strong Global Markets, mergers and acquisitions (M&A) and equity capital markets (ECM) revenues. Group Functions revenues declined due to lower Asset and Liability Management (ALM) and proprietary trading results. The revenue growth expected at Antonveneta did not materialise.

Operating expenses

Total operating expenses were 4.0 per cent. lower. Adjusted operating expenses rose 3.5 per cent. This increase was driven by higher personnel costs (including bonus accruals).

Operating result

The operating result increased 30.9 per cent. on a reported basis. The adjusted operating result increased 2.2 per cent. following a very strong first quarter, due to healthy increases in the operating result in the BUs Latin America, Asia, Europe, Global Clients and Global Markets, partly offset by a lower result in Group Functions. The adjusted efficiency ratio remained almost unchanged at 68.6 per cent.

Loan impairments

The provisioning level for the Group increased by EUR 80 mln due to continued growth of the high-margin Brazilian retail and consumer loan portfolios in the BU Latin America.

Taxes

The effective tax rate of continuing activities was 21.0 per cent. compared with 18.2 per cent. in the previous quarter.

Discontinued operations

Discontinued operations included the net-of-tax operating results from ABN AMRO Mortgage Group and LaSalle.

Profit for the period

The reported profit for the period was up by 8.6 per cent. Adjusted profit for the period was down by 7.6 per cent. due to a higher tax rate, higher provisions, and a slightly lower contribution from LaSalle.

Return on equity

Return on equity for the second quarter was 18.4 per cent.

Risk-weighted assets

As at 30 June 2007, the Group's RWA increased by EUR 11.0 bln to EUR 294.3 bln as a result of increases in the BU Netherlands and Group Functions.

Recent developments

Department of Justice investigation

As previously disclosed, the United States Department of Justice has been conducting a criminal investigation into the Bank's dollar clearing activities, OFAC compliance procedures and other Bank Secrecy Act compliance matters. The Bank has cooperated and continues to cooperate fully with the investigation. Although no written agreement has yet been reached and negotiations are ongoing, the Bank has reached an agreement in principle with the Department of Justice that would resolve all presently known aspects of the ongoing investigation.

Under the terms of the agreement in principle, the Bank and the United States would enter into a deferred prosecution agreement relating to the issues that are the subject of the current criminal investigation. In the deferred prosecution agreement, the Bank would waive indictment and agree to the filing of an information in the United States District Court charging it with certain violations of federal law based on information disclosed in an agreed factual statement. The Bank would also agree to continue cooperating in the United States' ongoing investigation and to settle all known civil and criminal claims currently held by the United States for the sum of USD 500 mln. The precise terms of the deferred prosecution agreement are still under negotiation.

In consideration for the foregoing provisions, as well as the Bank's extensive remedial actions to date and its willingness to demonstrate future good conduct and full compliance with all applicable federal

laws, the United States would recommend to the United States District Court that the prosecution of the Bank under the information be deferred for a fixed period. At the end of that fixed period, provided the Bank is in full compliance with all of its obligations under the deferred prosecution agreement, the United States would seek dismissal with prejudice of the information filed against the Bank. The precise terms of the deferred prosecution agreement and agreed factual statement are still under negotiation.

Recent developments related to the offers for ABN AMRO

On 30 May 2007, ABN AMRO acknowledged receipt of the proposed offer made by Fortis, Royal Bank of Scotland (RBS) and Santander (the “Consortium”), details of which have been published on 29 May 2007 by the Consortium. In response to the announcement by the Consortium, the Supervisory Board formed a Transaction Committee (the “Transaction Committee”) composed of the members of the Special Committee, being Arthur Martinez, chairman of the Supervisory Board, André Olijslager, vice-chairman of the Supervisory Board, and Rob van den Bergh. The Transaction Committee will liaise with the Managing Board and key staff and advisers of the bank on an ongoing basis on all matters with respect to the recommended offer by Barclays PLC (Barclays) for ABN AMRO as announced on 23 April 2007 and with respect to the proposed offer as announced on 29 May 2007 by the Consortium.

On 2 July 2007, it was announced that in their announcement of 23 May 2007, Barclays and ABN AMRO had indicated that Barclays’ Offer Documentation would be published in July, subject to the satisfaction of all pre-conditions specified in the original press release dated 23 April 2007. Good progress continued to be made in relation to the pre-conditions, documentation and regulatory change of control approvals. Since the regulatory review processes relating to the documentation were not yet completed, the Netherlands Authority for the Financial Markets (AFM) agreed an extension so that an announcement on the availability of the formal Offer Documentation could take place on or before 23 July 2007. On 19 July 2007, Barclays announced that the AFM had agreed a further extension so that an announcement on the formal offer documentation being available can be made on or before 6 August 2007.

On 13 July 2007, the Dutch Supreme Court ruled in respect of ABN AMRO’s appeal against the provisional injunction imposed by the Enterprise Chamber on 3 May 2007 restraining ABN AMRO from completing the sale of LaSalle to Bank of America without approval of its shareholders. The ruling of the Supreme Court confirmed that the sale of LaSalle is not subject to the approval of ABN AMRO shareholders. This transaction will be consummated once regulatory approval has been granted.

On 18 July 2007, ABN AMRO acknowledged that it had received a revised proposed offer from the Consortium, which it would discuss with representatives of the Consortium. Under the terms of the Merger Protocol dated 23 April 2007, ABN AMRO would also discuss with Barclays their offer and the implications of the Consortium’s revised proposed offer. ABN AMRO confirmed that its Managing and Supervisory Boards will act in the best interests of all stakeholders, including shareholders, and will assess the proposed offers in a fair and transparent manner. ABN AMRO also confirmed that it has no intention of making any major asset disposals at the current time.

On 20 July 2007, the Managing Board of ABN AMRO confirmed it had received advice from the Dutch Central Works Council and the opinion of the European Staff Council regarding the proposed merger with Barclays. In accordance to the legal limitations of its mandate, the advice of the Dutch Works Council is restricted to the local jurisdiction of the Netherlands. The advice is positive. The European Staff Council had been asked to provide an opinion on the proposed merger with Barclays in so far as it would impact activities in Europe. The opinion of the European Staff Council is also positive.

On 23 July 2007, ABN AMRO confirmed that it had received a proposal for a revised offer from Barclays (the “Revised Barclays Offer”) and noted that the Consortium had formally launched its offer for ABN AMRO. The Revised Barclays Offer includes amended offer terms and has introduced a significant cash element, together with a mix-and-match alternative. The proposed strategic cooperation between Barclays and China Development Bank further enhances the growth opportunities of the combined group in the attractive Asian market and can result in creation of additional long-term value for ABN AMRO shareholders. ABN AMRO welcomed the opportunity for shareholders to consider two competing proposals on a level playing field. As announced previously, ABN AMRO confirmed that its Managing and Supervisory Boards will act in the best interests of all stakeholders, including shareholders, and will assess both offers in a fair and transparent manner.

Other recent developments

On 8 June 2007, ABN AMRO won the Financial Times Sustainable Bank of the Year award for achieving world-class standards in sustainable banking. In addition to this overall award, ABN AMRO India won the global Emerging Markets Sustainable Bank of the Year award for its leadership role in India. ABN AMRO formalised its drive for sustainable development about 10 years ago, in recognition of the fact that a wide range of global issues shape our societal and business environment. These include climate change, energy and fresh water constraints, poverty, environmental degradation and respect for human rights. These are issues that raise many challenges and opportunities, not just for society at large, but also for our organisation, employees, clients, shareholders, suppliers and the environment. In addition, ABN AMRO announced its intention to become carbon neutral by the end of next year.

On 8 June 2007, ABN AMRO announced that it would acquire the branch network of Taitung Business Bank in Taiwan following a government auction. The acquisition will add significant scale to ABN AMRO's Taiwan franchise where it is already a top-three foreign bank. Under the terms of the sale, ABN AMRO is entitled to relocate the majority of 32 branches to prime locations for its mass-affluent and small and medium-sized enterprises (SME) client base, allowing tailoring to fit the bank's mid-market strategy. After closure of the acquisition, the total number of branches in Taiwan will be 37.

On 15 June 2007, ABN AMRO announced that its share buy-back programme of EUR 1 bln had been completed. A total number of 31,646,434 shares were bought at an average price of EUR 31.60. The share buy-back programme was announced on 8 February 2007 and started on 12 February 2007. As stated previously, ABN AMRO will continue to neutralise the 2006 final stock dividend. As announced on 26 April 2007, all dividend payments will be in cash as from the interim dividend 2007.

On 3 July 2007, ABN AMRO inaugurated ABN AMRO Bank (China) Co., Ltd, the locally incorporated entity of the bank in China, headquartered in Shanghai, after having recently received approval from the China Banking Regulatory Commission for local incorporation in China. This will facilitate ABN AMRO's ambitious growth and expansion plans into renminbi (RMB)-denominated banking services in China. To support this growth, ABN AMRO has more than tripled its registered share capital to RMB 4 bln from RMB 1.3 bln.

On 5 July 2007, it was announced that Mellon Bank N.A. (Mellon) had agreed to purchase ABN AMRO's 50 per cent. share in ABN AMRO Mellon Global Securities Services B.V., the joint venture company established by ABN AMRO and Mellon in 2003 aimed at providing global custody and related services to institutions outside North America. The transaction—which is subject to certain conditions, including regulatory and other approvals—is expected to close during the third quarter 2007.

ABN AMRO continues to be engaged in the Bank Secrecy Act compliance issues and related written agreement described in previous press releases. Investigations have had, and will continue to have, an impact on ABN AMRO's operations in the US, including procedural limitations on expansion and the powers otherwise exercisable as a financial holding company. Regarding this matter the Dutch Central Bank (DNB) announced on 26 July 2007 that, based on the result of its validation of all of ABN AMRO's actions taken in respect of DNB's Order of 19 December 2005, ABN AMRO has complied with the directive as well as with its obligations under the Financial Services Act. Therefore the directive is terminated with immediate effect. Further progress and implementation of ABN AMRO's actions will be monitored in the course of DNB's regular supervisory processes.

THE BU NETHERLANDS

	Year to date			Quarterly				
	2007	2006	% change	Q2 2007	Q1 2007	% change	Q2 2006	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>	
Net interest income	1,730	1,609	7.5	892	838	6.4	812	9.9
Net fees and commissions	499	486	2.7	242	257	(5.8)	216	12.0
Net trading income	360	360	0.0	170	190	(10.5)	184	(7.6)
Other operating income	112	138	(18.8)	37	75	(50.7)	98	(62.2)
Total operating income	2,701	2,593	4.2	1,341	1,360	(1.4)	1,310	2.4
Total operating expenses	1,773	1,767	0.3	902	871	3.6	917	(1.6)
Operating result	928	826	12.3	439	489	(10.2)	393	11.7
Loan impairment	206	176	17.0	101	105	(3.8)	91	11.0
Operating profit before tax	722	650	11.1	338	384	(12.0)	302	11.9
Income tax expense	154	146	5.5	69	85	(18.8)	62	11.3
Net operating income	568	504	12.7	269	299	(10.0)	240	12.1
Discontinued operations (net)	2	91		2	0		41	
Profit for the period	570	595	(4.2)	271	299	(9.4)	281	(3.6)
Efficiency ratio	65.6%	68.1%		67.3%	64.0%		70.0%	
	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change	
Staff (FTE)	22,515	22,609	(0.4)	22,317	0.9	22,213	1.4	
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>		
Total assets	215.8	189.8	13.7	204.7	5.4	206.3	4.6	
Risk-weighted assets	90.0	79.2	13.6	86.8	3.7	81.2	10.8	

Note: staff, total assets and risk-weighted assets are based on "continuing operations".

As of 1 January 2007 the BU Netherlands (BU NL) includes the Global Clients Netherlands activities. The 2006 results have been restated accordingly.

First half 2007 compared with first half 2006

- *Total operating income* grew by 4.2 per cent. to EUR 2,701 mln. This increase came on the back of a substantial increase in net interest income in the consumer and commercial client businesses, ALM transactions, as well as a solid contribution from Global Markets on the back of improved market conditions and organic growth, partly offset by a lower contribution from Global Clients Netherlands.

The liability side drove the 7.5 per cent. increase in net interest income. Consumer savings volumes grew by 1.6 per cent. with market share remaining stable above 20 per cent., while commercial savings volumes went up by 8.1 per cent. Margins on consumer and commercial savings products also improved.

Solid economic expansion helped drive healthy loan growth, with average loan volumes for the consumer and commercial client business increasing by 5.9 per cent. Double-digit volume growth in commercial loans (including current accounts) was partly offset by lower margins as a result of the increased cost of funding. Consumer loan volumes were slightly lower, with margins under pressure in an increasingly competitive market. The market share in consumer loans, excluding mortgages, fell back slightly to just below 25 per cent.

The mortgage portfolio increased by 4.5 per cent. to EUR 81 bln. The overall mortgage market in the Netherlands is contracting as a result of the stagnation in the number of building permits for housing, as well as rising mortgage interest rates. The impact of the housing transactions trend is partly offset by the size of the average mortgage amount, which reflects the increase in average house prices of approximately 6 per cent. year-on-year. Rising mortgage rates drove a decline in refinancings. Despite continued intense competition, ABN AMRO's market share in new mortgage production improved from 11.8 per cent. to 13.1 per cent. This gain came on the back of the successful launch of the Florius label, which is aimed at the independent broker channel. Margins on the mortgage portfolio remained under pressure.

The contribution from Global Clients was slightly lower as the results of the first half of 2006 had benefited from a number of large transactions that did not recur in the first half of 2007.

- *Total operating expenses* were stable at EUR 1,773 mln. Excluding the Services restructuring charge in 2006 of EUR 34 mln (EUR 25 mln net), total operating expenses increased by 2.3 per cent., well below the increase in operating income. This good expense control reflects management's continued focus on costs, in the face of the impact of the new collective labour agreement (CLA) and higher performance-related bonuses.
- *The operating result* increased by 12.3 per cent. to EUR 928 mln and the efficiency ratio improved by 2.5 percentage points to 65.6 per cent. Excluding the Services restructuring charge in 2006, the increase in operating result was 8.0 per cent., and the efficiency ratio improved by 1.2 percentage points.
- *Provisions* increased by 17.0 per cent. to EUR 206 mln, or 48 basis points of average RWA. This increase was mainly due to two substantial additions in the corporate clients portfolio. Provisions in the consumer portfolios decreased.
- *Net operating profit* increased by 12.7 per cent. to EUR 568 mln.
- *Discontinued operations (net)* included the first half 2006 results of Bouwfonds non-mortgage, the sale of which was finalised in the fourth quarter of 2006.
- *RWA* increased by 13.6 per cent. to EUR 90.0 bln, mainly due to organic growth of the loan and mortgage portfolios as well as the reallocation of existing RWA relief programmes to the Group.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* decreased by 1.4 per cent. to EUR 1,341 mln, with good growth in net interest income being offset by a decline in non-interest income. Client satisfaction in the BU NL improved.

Net interest income grew by 6.4 per cent. to EUR 892 mln, driven by growth in loan volumes and deposit balances at overall stable margins and ALM transactions. Although commercial loans saw volume growth and lower margins, the inverse took place in consumer loans. Savings volumes, on the business as well as the retail side, saw continued growth at slightly better margins.

Non-interest income declined mainly due to lower advisory fees in Global Clients Netherlands, as well as a somewhat lower contribution from Global Markets mainly due to lower volatility in the equity markets.

Mortgages showed a 13.7 per cent. increase in new production on the back of the successful introduction of the Florius brand. However, margins remained under pressure.

- *Total operating expenses* increased by 3.6 per cent. to EUR 902 mln mainly as a result of the impact of the new CLA and new marketing campaigns.
- *The operating result* declined by 10.2 per cent. to EUR 439 mln and the efficiency ratio increased by 3.3 percentage points to 67.3 per cent.
- *Provisions* decreased by 3.8 per cent. to EUR 101 mln, as an increase in the corporate clients portfolio was offset by lower Incurred But Not Identified (IBNI) provisions. Delinquencies in the consumer portfolio continued to decrease. Expressed as a percentage of average RWA, provisions decreased by 4 basis points to 46 basis points of average RWA. For the second half of 2007, provisions are expected to decline from the level seen in the first half.
- The effective tax rate for the BU NL was down by 1.7 percentage points to 20.4 per cent.
- *Net operating profit* declined by 10.0 per cent. to EUR 269 mln.

THE BU EUROPE

The BU Europe including Antonveneta

	Year to date			Quarterly				
	2007	2006	% change	Q2 2007	Q1 2007	% change	Q2 2006	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>	
Net interest income	920	767	19.9	476	444	7.2	399	19.3
Net fees and commissions	543	672	(19.2)	265	278	(4.7)	386	(31.3)
Net trading income	1,069	539	98.3	553	516	7.2	150	
Results from fin. transactions	32	40	(20.0)	19	13	46.2	72	(73.6)
Results from equity holdings	4	0		3	1		0	
Other operating income	39	47	(17.0)	21	18	16.7	20	5.0
Total operating income	2,607	2,065	26.2	1,337	1,270	5.3	1,027	30.2
Total operating expenses	1,956	1,829	6.9	991	965	2.7	964	2.8
Operating result	651	236	175.8	346	305	13.4	63	
Loan impairment	163	55	196.4	92	71	29.6	23	
Operating profit before tax	488	181	169.6	254	234	8.5	40	
Income tax expense	128	156	(17.9)	82	46	78.3	86	(4.7)
Profit for the period	360	25		172	188	(8.5)	(46)	
Efficiency ratio	75.0%	88.6%		74.1%	76.0%		93.9%	
	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change	
Staff (FTE)	18,459	17,959	2.8	18,204	1.4	18,067	2.2	
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>		
Total assets	504.8	403.4	25.1	470.4	7.3	402.8	25.3	
Risk-weighted assets	73.5	73.8	(0.4)	75.5	(2.6)	73.8	(0.4)	

In order to facilitate the analysis, we have split the BU Europe into two parts: the BU Europe excluding Antonveneta, and Antonveneta.

The BU Europe excluding Antonveneta

	Year to date			Quarterly				
	2007	2006	% change	Q2 2007	Q1 2007	% change	Q2 2006	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>	
Net interest income	289	235	23.0	164	125	31.2	126	30.2
Net fees and commissions	280	381	(26.5)	137	143	(4.2)	244	(43.9)
Net trading income	1,023	501	104.2	527	496	6.3	130	
Results from fin. transactions	20	17	17.6	22	(2)		51	(56.9)
Results from equity holdings	5	0		4	1		0	
Other operating income	0	0		3	(3)		(4)	
Total operating income	1,617	1,134	42.6	857	760	12.8	547	56.7
Total operating expenses	1,323	1,184	11.7	693	630	10.0	634	9.3
Operating result	294	(50)		164	130	26.2	(87)	
Loan impairment	3	(2)		10	(7)		(2)	
Operating profit before tax	291	(48)		154	137	12.4	(85)	
Income tax expense	48	23	108.7	42	6		4	
Profit for the period	243	(71)		112	131	(14.5)	(89)	
Efficiency ratio	81.8%	104.4%		80.9%	82.9%		115.9%	
	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change	
Staff (FTE)	8,916	8,245	8.1	8,793	1.4	8,460	5.4	
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>		
Total assets	450.4	354.7	27.0	416.9	8.0	351.3	28.2	
Risk-weighted assets	32.7	35.8	(8.7)	34.5	(5.2)	33.7	(3.0)	

As of 1 January 2007, the BU Europe included the Global Clients Europe activities. The 2006 results have been restated accordingly.

First half 2007 compared with first half 2006

- *Total operating income* increased by 42.6 per cent. as revenues benefited from strong client revenue growth across Corporates and Financial Institutions sectors and a strong performance across all products. The largest growth driver for Corporates and Financial Institutions revenues were record Structured Finance product revenues.

Financial Institutions also benefited from increased Equities and private investment products (PIP) revenues (particularly in Germany and Switzerland). Strong revenues, in particular from volatility products, supported Equities' improved performance in the first half 2007. Equities was ranked highly in the Thomson Extel Pan-European survey in the first half 2007, and was voted the top house for pan-European Economics for the fifth consecutive year.

Increased Financial Markets and M&A revenues also contributed to the growing momentum of the client franchise.

A significant increase in Transaction Banking revenues for Corporates was supported by new product initiatives in Western Europe and continued expansion of our Eastern European franchise.

Key deals included high-profile mandates such as the EUR 2.5 bln merger between NYSE and Euronext, in which we acted as financial and strategic adviser to Euronext. We were sole financial adviser and broker, and joint bookrunner, for Iberdrola in their EUR 17.1 bln public offer for Scottish Power. We were lead manager of the GBP 396 mln Peterborough PFI transaction in the UK, capitalising on our innovative structuring capabilities. We were also financial adviser to Unibail Holding on their EUR 28.5 bln cross-border merger with Rodamco Europe, which created the largest network of prime shopping centres across Europe.

- *Total operating expenses* increased by 11.7 per cent. Excluding the 2006 Services restructuring charge of EUR 46 mln (EUR 35 mln net), operating expenses increased by 16.3 per cent. This was attributable to higher bonus accruals reflecting the significant increase in revenues. In the first half of 2007, the number of FTEs increased compared with the first half of 2006 due to the inclusion of Risk, Audit and Compliance FTEs that were previously reported in Group Functions. This did not result in additional costs.
- *The operating result* increased by EUR 344 mln to a positive result of EUR 294 mln. Excluding the Services restructuring charge, the operating result increased by EUR 298 mln. This resulted in an efficiency ratio of 81.8 per cent., an improvement of 18.6 percentage points.
- *Provisions* totalled EUR 3 mln in the first half 2007, compared with a net provision release of EUR 2 mln in the first half of 2006.
- The first-half 2007 effective tax rate was 16.5 per cent. This relatively low tax rate was due to tax credits realised in the first half of 2007, and is not deemed sustainable.
- *Profit for period* increased by EUR 314 mln to a profit of EUR 243 mln. Excluding the Services restructuring charge, profit for the period increased by EUR 279 mln.
- Focus on tight capital discipline, including participation in Group-wide securitisation programmes and asset sales, resulted in an 8.7 per cent. decrease in *RWA*.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* increased by 12.8 per cent. due to increased client flows and a further increase across all products.

Total client revenues in the BU Europe grew compared with the first quarter, with Corporates revenues growing significantly due to increased Structured Finance, Equities and M&A revenues.

Financial Institutions revenues also grew on the back of increased Structured Finance and Equities revenues, with continued growth of the institutional derivatives business. These offset a weakened performance in Financial Markets due to a shift in market conditions.

Transaction Banking revenues increased for both Financial Institutions and Corporates largely due to the strong growth achieved through our continued focus on Eastern European markets, in particular Russia, Romania, Poland and Kazakhstan.

Key deals included the first Romanian leu-denominated bond issue from the European Investment Bank and acting as sole financial adviser to Alcatel-Lucent on the EUR 1.7 bln contribution of transport, security and satellite divisions to Thales.

- *Total operating expenses* increased by 10.0 per cent. mainly due to higher bonus accruals following the strong increase in revenues.
- *The operating result* improved by 26.2 per cent. to EUR 164 mln, and the efficiency ratio improved by 2 percentage points to 80.9 per cent.
- *Provisions* were EUR 10 mln, compared with a EUR 7 mln provision release in the first quarter. This reflected the trend in the credit cycle. Although credit quality is expected to remain strong, the current low provisioning level is not deemed sustainable over the longer term.
- Although the BU Europe benefited from tax credits in both the first and second quarter of 2007, the net impact of these was less pronounced in the second quarter. The effective tax rate increased by 22.9 percentage points to 27.3 per cent.
- *Profit* for the period decreased by EUR 19 mln to a profit of EUR 112 mln, as a result of the higher tax credit received in the first quarter 2007.
- *RWA* decreased by 5.2 per cent. due to strong capital management.

The BU Europe is expected to maintain strong client revenue momentum in the second half of 2007. However, it is not expected that the BU Europe's first half exceptional performance will be fully replicated in the second half, partly due to the current corporate uncertainty, and also because tax credits in the first half of 2007 are not expected to recur in the second half. The BU Europe is already profitable, in line with its full year commitments.

About the BU Europe

The BU Europe serves three client bases, corporates and financial institutions, which account for 98 per cent. of operating income, and consumer clients. The BU Europe also includes a large part of the BU Global Markets infrastructure and approximately 75 per cent. of the BU Europe's first half 2007 revenues were Global Markets products. Overall results have therefore been, and will continue to be, impacted by market volatility going forward.

The BU Europe continues to focus on accelerating the growth of the client franchise. Increased Structured Finance, Equities and M&A revenues all show that this strategy is bearing fruit. Strong client revenues in all products are supported by areas of particular excellence. These include the PIP franchise in Germany and Switzerland, and ABN AMRO's leading record in sustainability, which is driven by new products such as the eco-markets business.

The BU Europe continues to invest in the dynamic economies of Eastern Europe. A new branch has been opened in Slovakia to meet strong client demand for local support. Our presence in Poland and Turkey has also grown to improve our client service and competitive advantage by providing global excellence combined with local intimacy. The consumer banking franchise in Kazakhstan and Romania is expanding, building on our offering to emerging and mass-affluent clients. Overall, this has helped the increased revenue contribution from the European network outside the UK, compared with 2006.

ANTONVENETA

Antonveneta

	Year to date			Quarterly				
	2007	2006	% change	Q2 2007	Q1 2007	% change	Q2 2006	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>	
Net interest income	631	532	18.6	312	319	(2.2)	273	14.3
Net fees and commissions	263	291	(9.6)	128	135	(5.2)	142	(9.9)
Net trading income	46	38	21.1	26	20	30.0	20	30.0
Results from financial transactions	12	23	(47.8)	(3)	15		21	
Results from equity holdings	(1)	0		(1)	0		0	
Other operating income	39	47	(17.0)	18	21	(14.3)	24	(25.0)
Total operating income	990	931	6.3	480	510	(5.9)	480	0.0
Total operating expenses	633	645	(1.9)	298	335	(11.0)	330	(9.7)
Operating result	357	286	24.8	182	175	4.0	150	21.3
Loan impairment	160	57	180.7	82	78	5.1	25	
Operating profit before tax	197	229	(14.0)	100	97	3.1	125	(20.0)
Income tax expense	80	133	(39.8)	40	40	0.0	82	(51.2)
Profit for the period	117	96	21.9	60	57	5.3	43	39.5
Efficiency ratio	63.9%	69.3%		62.1%	65.7%		68.8%	
	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change	
Staff (FTE)	9,543	9,714	(1.8)	9,411	1.4	9,607	(0.7)	
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>		
Total assets	54.4	48.7	11.7	53.5	1.7	51.5	5.6	

Antonveneta stand-alone

	Year to date			Quarterly				
	2007	2006	% change	Q2 2007	Q1 2007	% change	Q2 2006	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>	
Net interest income	637	572	11.4	315	322	(2.2)	290	8.6
Net fees and commissions	263	291	(9.6)	128	135	(5.2)	142	(9.9)
Net trading income	46	38	21.1	26	20	30.0	20	30.0
Results from financial transactions	26	43	(39.5)	(2)	28		40	
Results from equity holdings	(1)	0		(1)	0		0	
Other operating income	39	47	(17.0)	18	21	(14.3)	24	(25.0)
Total operating income	1,010	991	1.9	484	526	(8.0)	516	(6.2)
Total operating expenses	589	556	5.9	299	290	3.1	287	4.2
Operating result	421	435	(3.2)	185	236	(21.6)	229	(19.2)
Loan impairment	160	57	180.7	82	78	5.1	25	
Operating profit before tax	261	378	(31.0)	103	158	(34.8)	204	(49.5)
Income tax expense	109	187	(41.7)	46	63	(27.0)	109	(57.8)
Profit for the period	152	191	(20.4)	57	95	(40.0)	95	(40.0)
Efficiency ratio	58.3%	56.1%		61.8%	55.1%		55.6%	

The results in the Antonveneta table at the top of the page are the reported results as included in the consolidation of the bank. These results include the impact of purchase accounting on the Antonveneta stand-alone results as presented in the table directly above. Please note that the purchase accounting impacts result from the valuation of intangible assets (amounting to EUR 1,194 mln) and fair-value adjustments of principally financial assets and liabilities. The intangible assets are amortised over a period of approximately eight years under operating expenses. The fair-value adjustments are substantially amortised through net interest income over a period ranging from one to eight years dependent on the duration of the respective assets and liabilities and/or adjusted realised gains on sales of related assets and liabilities.

The analysis below is based on results of Antonveneta on a stand-alone basis.

First half 2007 compared with first half 2006

- *Total operating income* increased by 1.9 per cent. to EUR 1,010 mln as a result of a EUR 65 mln increase in net interest income.

The increase in net interest income was partly due to a EUR 41 mln reclassification between loan impairment and net interest income in respect of interest on impaired loans (as announced with the third quarter 2006 results, due to an alignment of accounting principles), which was not applied in the first half of 2006. Overall lending volumes remained stable, while mortgage revenues increased.

Net fees and commissions were down by EUR 28 mln as fees were aligned to market rates and margins on investment products were lowered slightly, and are expected to drive volume growth going forward.

Results from financial transactions were down by EUR 17 mln, despite a EUR 22 mln gain on the sale of part of the Italease stake in the first half of 2007, driven by a EUR 15 mln negative revaluation of the investment portfolio and higher than average capital gains realised in 2006. Excluding the reclassification effect, the gain on the sale of a stake in Italease, and the investment portfolio revaluation, total operating income was down 2.9 per cent. Operating income is expected to accelerate in the second half of 2007.

- *Total operating expenses* were up 5.9 per cent. to EUR 589 mln, partly due to a EUR 18 mln increase in integration costs. Personnel costs remained stable. A changed Italian law led to a change in the methodology for provisioning for post employment benefits, resulting in a EUR 17 mln release.
- *The operating result* decreased by 3.2 per cent. to EUR 421 mln resulting in an efficiency ratio of 58.3 per cent., a 2.2 percentage-point increase. Excluding the reclassification effect, the integration costs, the post employment benefits release, and the investment portfolio revaluation, the operating result was down by 14.0 per cent.
- *Provisions* increased by EUR 103 mln to EUR 160 mln. Excluding the reclassification and a EUR 46 mln release of IBNI recorded in 2006, provisions increased by EUR 16 mln.
- *Profit for the period* decreased by EUR 39 mln to EUR 152 mln.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* decreased by EUR 42 mln to EUR 484 mln mainly due to a decrease in results from financial transactions on the back of a EUR 22 mln gain on the sale of the Italease stake booked in the first quarter and a negative EUR 15 mln revaluation of the investment portfolio.

Net interest income declined by EUR 7 mln as a new client account with lower margins was introduced and because spreads tightened. Excluding the gain on the sale of the Italease stake in the first quarter and the revaluation of the investment portfolio, total operating income was almost stable.

- *Total operating expenses* were up by 3.1 per cent., mainly due to an increase in compliance and control costs as well as investments in new initiatives. A EUR 17 mln post employment benefits release resulted in a decrease in personnel costs. Excluding the post employment benefits release, operating expenses went up by 9.0 per cent.
- *The operating result* decreased by 21.6 per cent. to EUR 185 mln. Excluding the gain on the sale of a stake in Italease, the post employment benefits release, and the negative investment portfolio revaluation, the operating result was down 14.5 per cent.
- *Provisions* increased by EUR 4 mln to EUR 82 mln. A new credit approval process is expected to generate a lower provisioning level in the second part of the year.
- *Profit for the period* was down by EUR 38 mln to EUR 57 mln.

Further investments made in the client base and actions taken to attract new customers have not yet resulted in an expected pick-up in revenues and therefore it is uncertain whether Antonveneta will meet the stated EUR 500 mln profit for the period on a stand-alone basis. However, the profit for the period is expected to be higher than the 2006 full year stand-alone profit of EUR 413 mln. The initiatives

undertaken are expected to result in a significant improvement of the operating performance in the second half of the year. The initiatives taken are:

In the consumer bank:

- Increase staffing levels in understaffed branches (300 hirings made in first half).
- Further grow our exposure in consumer credit products and mortgages.
- Start a campaign to sell Antonveneta products (consumer credit products, insurance) through third-party channels.
- Introduce new, successful Global Markets and Asset Management products.

In the commercial bank:

- Re-price corporate loans in order to drive volume growth and increased penetration.
- Increase the sale of Global Markets products to Antonveneta clients, for instance in Structured Lending.
- Real estate divestments.

Other areas:

- Realign Antonveneta funding programmes to Group.
- Increase the sale of PIP products.
- Introduce new and faster credit approval process (both in consumer and in commercial) and a more active collection and management of past due portfolio, leading to lower provisions.

THE BU NORTH AMERICA

	Year to date				Quarterly						
	2007	2006	% change	% change ⁽¹⁾	Q2 2007	Q1 2007	% change	% change ⁽¹⁾	Q2 2006	% change	% change ⁽¹⁾
	<i>(in millions of euros)</i>				<i>(in millions of euros)</i>				<i>(in millions of euros)</i>		
Net interest income	110	49	124.5	141.6	56	54	3.7	5.4	55	1.8	7.6
Net fees and commissions	160	105	52.4	67.0	51	109	(53.2)	(51.0)	63	(19.0)	(10.3)
Net trading income	106	96	10.4	19.3	49	57	(14.0)	(11.6)	62	(21.0)	(15.8)
Results from fin. transactions	2	(18)			26	(24)			(7)		
Other operating income	13	15	(13.3)	(4.0)	2	11	(81.8)	(80.9)	5	(60.0)	(56.0)
Total operating income	391	247	58.3	70.5	184	207	(11.1)	(9.1)	178	3.4	9.6
Total operating expenses	434	370	17.3	26.2	192	242	(20.7)	(19.0)	211	(9.0)	(4.1)
Operating result	(43)	(123)			(8)	(35)			(33)		
Loan impairment	(17)	(17)			(2)	(15)			6		
Operating profit before tax	(26)	(106)			(6)	(20)			(39)		
Income tax expense	(45)	(132)			(25)	(20)			(80)		
Net operating income	19	26	(26.9)	(18.5)	19	0			41	(53.7)	(48.0)
Discontinued operations (net)	549	518	6.0	14.5	197	352	(44.0)	(42.6)	273	(27.8)	(23.6)
Profit for the period	568	544	4.4	12.9	216	352	(38.6)	(37.0)	314	(31.2)	(26.8)
Efficiency ratio	111.0%	149.8%			104.3%	116.9%			118.5%		

Note:

(1) Percentage change at constant foreign exchange rates (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change
Staff (FTE)	14,007	15,199	(7.8)	14,429	(2.9)	14,914	(6.1)
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>	
Total assets	174.1	152.5	14.2	161.5	7.8	156.2	11.5
Risk-weighted assets	67.8	70.3	(3.6)	60.5	12.1	67.6	0.3

Note: staff, total assets and risk-weighted assets are including LaSalle, however excluding AAMG.

As of 1 January 2007, the BU North America (BU NA) includes the Global Clients North America activities. The 2006 results have been restated accordingly.

On 22 January 2007, ABN AMRO announced the sale of ABN AMRO Mortgage Group, Inc. (AAMG), its US-based residential mortgage broker origination platform and residential mortgage servicing business, to Citigroup. Closing of this transaction occurred on 28 February 2007.

On 23 April 2007, ABN AMRO announced the sale of ABN AMRO North America Holding Company, which principally consists of the retail and commercial banking activities of LaSalle Bank Corporation (LaSalle) to Bank of America for USD 21 bln in cash. The sale of LaSalle is expected to complete in the fourth quarter of 2007 and is subject to regulatory approvals and other customary closing conditions.

Under the terms of the Purchase and Sale Agreement by and between ABN AMRO and Bank of America, ABN AMRO is not entitled to a dividend in respect of the 2007 results. If the cumulative US GAAP result of LaSalle for the last three quarters of 2007 is less than USD 600 mln (or a pro rata proportion thereof if the transaction is settled before the year-end), the sale price will be reduced with the difference.

ABN AMRO has hedged the US dollar risk of the net proceeds of the sale of LaSalle as of July 2007.

The gain on the sale of AAMG, the two months of results of AAMG, and the results of LaSalle are reported as discontinued operations.

Due to the sale of LaSalle, the continuing operations of the BU NA now essentially comprise the North American Global Markets and Global Clients operations. The continuing operations include the global overhead costs allocated to LaSalle that will continue to be incurred by ABN AMRO in the short term. The current corporate uncertainty may affect the results in the second half of 2007.

Please note that all comparisons below are at constant exchange rates (percentages as in the table above) in order to facilitate comparison.

First half 2007 compared with first half 2006

- *Total operating income* increased by 70.5 per cent. to EUR 391 mln, mainly as a result of strong growth across the Global Markets activities. Global Markets successfully capitalised on improved market conditions, including in equities through the Principal Strategies M&A side, volatility trading and commission revenues, and the successful introduction and expansion of Strategic Credit Trading which gained from stronger deal flow and volatility movements.
- *Total operating expenses* increased by 26.2 per cent. to EUR 434 mln, partly as a result of inter-regional Global Markets cost allocations that did not affect North America in 2006, and higher bonuses.
- At the *operating result* level, the loss was reduced by EUR 80 mln to a loss of EUR 43 mln, and the efficiency ratio improved by 38.8 percentage points to 111.0 per cent.
- *Provisions* were unchanged at a net release of EUR 17 mln.
- Net tax credits decreased by EUR 87 mln to a net tax credit of EUR 45 mln.
- *Net operating income* fell by 18.5 per cent. to EUR 19 mln.
- *Discontinued operations* were EUR 549 mln in the first half of 2007 and EUR 518 mln in the first half of 2006.

The commercial banking operations of LaSalle saw continued loan growth partly offset by lower spreads. The operating income of LaSalle's retail banking operations were flat, as rising interest rates led on the asset side to lower home equity loan growth, and on the liability side to core deposits falling as a percentage of total deposits, as customers increasingly shifted funds into higher-yielding types of accounts. The BU NA successfully executed the previously announced FTE reduction.

- *Profit* for the period increased by 12.9 per cent. to EUR 568 mln.
- The BU NA successfully executed on its efficiency improvement plan. Total FTE for the BU NA as per 30 June 2007 was 14,007, down from 14,914 as per 31 December 2006.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* decreased by 9.1 per cent. to EUR 184 mln, as Global Markets revenues fell back slightly from the excellent first quarter, mainly due to lower activity in Equities and structured products.
- *Total operating expenses* decreased by 19.0 per cent. to EUR 192 mln, mainly as a result of lower allocated costs.
- At the *operating result* level, the loss was reduced by EUR 27 mln to a loss of EUR 8 mln, and the efficiency ratio improved by 12.6 percentage points to 104.3 per cent.
- *Provisions* increased by EUR 13 mln from a net release of EUR 15 mln to a net release of EUR 2 mln.
- Net tax credits increased by EUR 5 mln to a net tax credit of EUR 25 mln.
- *Net operating income* increased by EUR 19 mln to EUR 19 mln.
- *Discontinued operations* were EUR 197 mln in the second quarter of 2007. This compares with EUR 352 mln in the first quarter of 2007. Both quarters included the results from the discontinued operations of LaSalle, and the first quarter also included two months of results, of EUR 17 mln, from the discontinued AAMG operations as well as the gain on the sale of AAMG. The gain on the sale of AAMG was reported as EUR 97 mln in the first quarter of 2007. In the second quarter of 2007 an adjustment for transaction-related expenses of EUR 4 mln was booked, leading to an adjusted book gain on the sale of AAMG of EUR 93 mln.

The commercial banking operations of LaSalle saw net interest income decline by 4 per cent. as the low growth in deposit volumes and essentially flat loan volumes were offset by lower spreads. LaSalle's retail operations realised a significant increase in operating profit on the back of revenue growth and lower expenses. Retail revenues improved by 3 per cent., mainly on the back of growth in core deposits and fee income, the positive impact of which more than offset a small decline in loan volumes at lower spreads.

- *Profit for the period* decreased by 37.0 per cent. to EUR 216 mln.

THE BU LATIN AMERICA

	Year to date				Quarterly							
	2007	2006	% change	% change ⁽¹⁾	Q2 2007	Q1 2007	% change	% change ⁽¹⁾	Q2 2006	% change	% change ⁽¹⁾	
	<i>(in millions of euros)</i>				<i>(in millions of euros)</i>				<i>(in millions of euros)</i>			
Net interest income	1,744	1,477	18.1	18.5	918	826	11.1	6.9	741	23.9	18.5	
Net fees and commissions . . .	251	262	(4.2)	(2.7)	111	140	(20.7)	(22.9)	111	0.0	(2.9)	
Trading income/results fin. trans.	233	98	137.8	129.7	180	53			45			
Results from equity holdings . . .	22	36	(38.9)	(38.6)	12	10	20.0	16.0	23	(47.8)	(50.0)	
Other operating income	37	26	42.3	43.5	16	21	(23.8)	(28.6)	14	14.3	5.7	
Total operating income	2,287	1,899	20.4	20.6	1,237	1,050	17.8	13.2	934	32.4	26.5	
Total operating expenses	1,234	1,129	9.3	9.6	650	584	11.3	7.3	559	16.3	11.5	
Operating result	1,053	770	36.8	36.7	587	466	26.0	20.6	375	56.5	48.9	
Loan impairment	436	381	14.4	15.1	246	190	29.5	24.3	208	18.3	12.8	
Operating profit before tax	617	389	58.6	57.8	341	276	23.6	18.1	167	104.2	93.9	
Income tax expense	235	85	176.5	154.6	136	99	37.4	20.3	(5)			
Profit for the period	382	304	25.7	30.7	205	177	15.8	16.8	172	19.2	28.8	
Efficiency ratio	54.0%	59.5%			52.5%	55.6%			59.9%			

Note:

(1) Percentage change at constant foreign exchange rates (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change	
Staff (FTE)	29,467	27,522	7.1	28,912	1.9	28,205	4.5	
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>			<i>(in billions of euros)</i>	
Total assets	49.2	35.0	40.6	44.6	10.3	39.4	24.9	
Risk-weighted assets	28.6	23.0	24.3	25.9	10.4	24.2	18.2	

As of 1 January 2007, the BU Latin America (BU LA) includes the Global Clients Latin America activities. The 2006 results have been restated accordingly.

Please note that all comparisons below are at constant exchange rates (percentages as in the table above) in order to facilitate comparison.

First half 2007 compared with first half 2006

- *Total operating income* increased by 20.6 per cent., driven by continued strong growth of the Brazil loan portfolio, gains in the ALM portfolio, as well as a EUR 48 mln (EUR 31 mln net) gain on the sale of a 3.64 per cent. stake in Brazilian credit analysis provider Serasa. Excluding the Serasa gain, operating income increased by 18.2 per cent. Strong loan growth is expected to continue in the second half of the year.

The relative contribution from Brazil to total operating income of the BU LA was unchanged at 95 per cent. The macro-economic conditions in Brazil reflect continued stability, a decrease in interest rates, and a strong local currency. In May, Brazil's long-term sovereign credit rating moved to within one notch of an investment grade rating. The results of Banco Real continued to benefit from Brazil's economic strength.

The Brazilian retail banking line of business, which comprises households and SMEs, grew by 18 per cent., fuelled by a 30 per cent. increase in the retail loan portfolio at lower net interest margins. The decline in overall retail net interest margins was the result of lower margins in both households and SMEs, as well as the fact that growth in the SME portfolio was higher than in the higher margin households portfolio. Average balances in the SME credit portfolio, which accounted for 51 per cent. of the total retail loan portfolio, grew by 37 per cent. Average balances in the households loan portfolio, which accounted for 49 per cent. of the total retail loan portfolio, increased by 24 per cent., supported by the introduction of new credit products and refined credit analysis tools.

Total operating income of the Aymoré consumer finance activities was impacted by a EUR 26 mln second quarter recognition of origination commissions paid. Excluding this impact on commissions, Aymoré saw revenues increase by 8 per cent. on the back of continued strong loan

growth that was partly offset by a decline in net interest margins. Origination costs continued to go up in an increasingly competitive market.

Commercial banking, including the results formerly reported under Global Clients, realised revenue growth of 29 per cent. mainly on the back of accelerated loan growth and investment banking activities.

- *Total operating expenses* increased by 9.6 per cent., partly reflecting the impact of the new collective labour agreement (CLA) that came into effect in September 2006, as well as higher bonus accruals. Excluding the Services charge in the second quarter of 2006 of EUR 12 mln (EUR 8 mln net), total operating expenses increased by 10.8 per cent.
- The *operating result* improved by 36.7 per cent. and the efficiency ratio improved by 5.5 percentage points to 54.0 per cent. Excluding the Serasa gain and the 2006 Services charge of EUR 12 mln (EUR 8 mln net), the operating result improved by 28.8 per cent. and the efficiency ratio improved by 3.7 percentage points to 55.1 per cent.
- *Provisions* increased by 15.1 per cent. to EUR 436 mln, equivalent to 329 basis points of average RWA, reflecting continued strong loan growth.
- *Operating profit before tax* grew by 57.8 per cent. Excluding the Serasa gain and the 2006 Services charge, the increase in operating profit before tax was 41.8 per cent.
- The effective *tax rate* increased by 16.2 percentage points to 38.1 per cent., as 2006 tax credits did not recur. The appreciation of the Brazilian real relative to the US dollar led to a hedge-related tax charge of EUR 51 mln compared with a hedge-related tax charge of EUR 36 mln in the first half of 2006.
- *Profit for the period* grew by 30.7 per cent. to EUR 382 mln.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* of the BU LA increased by 13.2 per cent., on the back of continued strong growth in the Brazilian retail loan portfolio, improved margins, gains on the sale of securities, and the Serasa book gain. Excluding the Serasa gain, total operating income grew by 8.9 per cent.

The operating income of the Brazilian retail banking line of business increased by 9 per cent. on the back of 5 per cent. growth of the overall retail loan portfolio at improved margins, and because growth in the households portfolio was higher than in the lower margin SME portfolio. The households loan portfolio grew by 7 per cent., while the SME loan portfolio saw an increase of 3 per cent.

Total operating income of the Aymoré consumer finance activities was impacted by a EUR 26 mln second quarter recognition of origination commissions paid. Excluding this impact on commissions, Aymoré saw revenues increase by 8 per cent. on the back of continued strong loan growth, partly offset by increased origination costs.

Commercial banking revenues grew by 23 per cent. driven by sustained loan growth.

- *Total operating expenses* increased by 7.3 per cent., partly as a result of higher performance-related bonuses.
- The *operating result* increased by 20.6 per cent. and the efficiency ratio improved by 3.1 percentage points to 52.5 per cent. Excluding the Serasa gain, the operating result improved by 10.9 per cent. and the efficiency ratio improved by 0.9 percentage points to 54.7 per cent.
- *Provisions* increased by 24.3 per cent. to EUR 246 mln, equivalent to 360 basis points of average RWA compared with 303 basis points of average RWA reported in the first quarter. The increase was partly due to the fact that the first quarter of 2007 benefited from the sale of a non-performing loan (NPL) portfolio, but also due to higher delinquencies in consumer finance. Excluding the impact of the NPL sales, provisions remained stable in absolute terms. For the second half of 2007, provisions, expressed as a percentage of average RWA, are not expected to come down from the level seen in the second quarter.
- *Operating profit before tax* increased by 18.1 per cent. Excluding the Serasa gain, operating profit before tax grew by 1.7 per cent.

- The effective *tax* rate was 39.9 per cent., an increase of 4.0 percentage points. The further appreciation of the Brazilian real against the US dollar led to a hedge-related tax charge of EUR 30 mln compared with a hedge-related tax charge of EUR 20 mln in the first quarter.
- *Profit for the period* increased by 16.8 per cent. to EUR 205 mln.

THE BU ASIA

	Year to date				Quarterly							
	2007	2006	% change	% change ⁽¹⁾	Q2 2007	Q1 2007	% change	% change ⁽¹⁾	Q2 2006	% change	% change ⁽¹⁾	
	<i>(in millions of euros)</i>				<i>(in millions of euros)</i>				<i>(in millions of euros)</i>			
Net interest income	340	282	20.6	26.8	185	155	19.4	19.8	135	37.0	39.9	
Net fees and commissions	499	325	53.5	61.3	290	209	38.8	39.8	158	83.5	88.8	
Trading income/results fin. trans.	333	192	73.4	84.3	138	195	(29.2)	(28.1)	109	26.6	33.9	
Results from equity holdings	34	44	(22.7)	(19.3)	17	17	0.0	0.0	22	(22.7)	(21.8)	
Other operating income	0	29			(4)	4			13			
Total operating income	1,206	872	38.3	45.8	626	580	7.9	8.8	437	43.2	48.0	
Total operating expenses	808	652	23.9	29.8	412	396	4.0	4.7	320	28.8	32.3	
Operating result	398	220	80.9	93.1	214	184	16.3	17.8	117	82.9	90.8	
Loan impairment	109	85	28.2	36.6	56	53	5.7	6.0	49	14.3	18.0	
Operating profit before tax	289	135	114.1	128.7	158	131	20.6	22.5	68	132.4	143.2	
Income tax expense	65	48	35.4	41.5	41	24	70.8	72.1	25	64.0	68.8	
Profit for the period	224	87	157.5	176.9	117	107	9.3	11.4	43	172.1	186.5	
Efficiency ratio	67.0%	74.8%			65.8%	68.3%			73.2%			

Note:

(1) Percentage change at constant foreign exchange rates (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change
Staff (FTE)	17,738	12,809	38.5	15,354	15.5	14,141	25.4
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>	
Total assets	80.2	72.5	10.6	75.2	6.6	69.8	14.9
Risk-weighted assets	17.9	16.0	11.9	18.3	(2.2)	16.5	8.5

As of 1 January 2007, the BU Asia includes the Global Clients Asia activities. The 2006 results have been restated accordingly.

First half 2007 compared with first half 2006

The year-on-year comparison of operating income and profit was positively impacted by the fair-market value changes of the stake in Korean Exchange Bank (KEB) (a positive EUR 30 mln in the first half of 2007 and a negative EUR 20 mln in the first half of 2006). Although the fair-market value change is a part of regular income, it creates substantial volatility in income.

- *Total operating income* increased by 38.3 per cent., or EUR 334 mln, to EUR 1,206 mln, driven by strong growth in consumer and commercial banking.

Consumer revenues grew by 24.8 per cent., driven by continued growth of the Van Gogh Preferred Banking (VGPB) and credit card businesses. VGPB growth was particularly strong in Singapore, Hong Kong, China and Taiwan. Total Assets under Administration (AuA) of VGPB clients in Asia grew by 20.5 per cent. The operating income also improved due to significant growth in the Consumer Finance business. In particular, the credit card business in Indonesia and the United Arab Emirates (UAE) and the overall Consumer Finance business in India showed strong improvements. The total number of credit cards in Asia increased by 12.3 per cent. to 2.9 mln.

The commercial business showed exceptional growth of 64.5 per cent., driven by significant M&A and Equity Capital Markets (ECM) transactions executed in the Philippines, Australia, Malaysia, the UAE and Hong Kong. The Global Markets business continued its strong growth, notably via the ATV equity-linked transaction closed in June. In addition, cash management within Transaction Banking and the Commercial SME and FIPS growth initiatives are gaining momentum and are growing at healthy rates.

China and India are two of the BU Asia's key countries and are a major focus of our growth efforts:

In China, revenue increased by 75.8 per cent., showing that our recent investments are indeed leading to growth in revenues. In the Consumer business, VGPB revenues grew by 83.8 per cent. and AuA increased by 111.0 per cent. from last year. The Commercial business saw steady growth

in its loan portfolio, and experienced higher interest margins and higher commission income as a result of increasing asset sizes.

India continued its strong performance this year, as revenues grew by over 39.1 per cent. in the first half of 2007. Consumer revenues grew by 53.9 per cent., primarily due to continued growth in the credit card and personal loan portfolios, complemented by aggressive growth in deposit accounts and distribution of third-party mutual funds and insurance products. The Commercial business continued to show strong growth, riding on a healthy deal pipeline and on an annuity business with more than 3,000 SME and large corporate clients. Highlights include the closing of landmark deals in M&A advisory (Tata-Corus, Suzlon-Repower), ECM (Cairns IPO) and Corporate Banking mandates (Cadbury). The microfinance business in India continued to be a huge success as it now reaches 460,000 households through 27 microfinance institutions across 17 states in India.

- *Total operating expenses* increased by 23.9 per cent. to EUR 808 mln as a result of continued investments in new branches, new staff hirings and increased bonus accruals in line with increased revenues. Since the end of the second quarter 2006, we have opened 13 branches across China, India and Pakistan bringing the total number of branches in Asia to 83, and to 152 including the Prime Bank acquisition.
- *The operating result* improved by 80.9 per cent. to EUR 398 mln. The efficiency ratio improved from 74.8 per cent. in the first half of 2006 to 67.0 per cent. in the first half of 2007.
- *Provisioning* increased by EUR 24 mln to EUR 109 mln reflecting strong growth in the consumer finance businesses, particularly in India and Indonesia. We are seeing continued improvement in Taiwan.
- *Profit for the period* increased by 157.5 per cent. to EUR 224 mln.

Second quarter 2007 compared with first quarter 2007

The quarter-on-quarter comparison of operating income and profit was negatively impacted by the fair-market value changes of the stake in KEB (a loss of EUR 23 mln in the second quarter of 2007 and a gain of EUR 53 mln in the first quarter of 2007).

- *Total operating income* increased by 7.9 per cent. driven primarily by strong M&A, ECM and Global Markets revenues. Excluding the fair-market value change of KEB, operating income increased 23.1 per cent.

The consumer business grew by 16.3 per cent., mainly due to strong performances in Greater China, Singapore, India and UAE. In particular, the VGPB businesses in Greater China, Singapore and India and the credit card businesses in India and UAE are showing strong growth.

The commercial business grew by 38.8 per cent. quarter-on-quarter, driven by M&A, ECM and Global Markets revenues. Global Markets continued to show strong revenue momentum on the back of high volumes throughout the Asian equity markets as shown by the ATV equity-linked transaction in June. Commercial SME revenues were up by 100.0 per cent. from the first quarter as the build-out in Singapore, Hong Kong, China and Pakistan is gaining traction, while India and Taiwan continue to grow at a healthy rate.

- *Total operating expenses* increased by 4.0 per cent., primarily driven by new staff hirings and investments to support future growth across the region.
- *The operating result* increased by 16.3 per cent. to EUR 214 mln.
- *Provisioning* increased by EUR 3 mln to EUR 56 mln, primarily driven by a EUR 6 mln increase in IBNI provisions.
- *Profit for the period* increased by 9.3 per cent. to EUR 117 mln.

Recent developments

On 3 July 2007, ABN AMRO inaugurated ABN AMRO Bank (China) Co., Ltd, the locally incorporated entity of the bank in China, headquartered in Shanghai, after having recently received approval from the China Banking Regulatory Commission for local incorporation in China. This will facilitate ABN AMRO's ambitious growth and expansion plans into RMB-denominated banking services in China. To support this growth, ABN AMRO has more than tripled its registered share capital to RMB 4 bln from RMB 1.3 bln.

On 8 June 2007, ABN AMRO announced that it would acquire the branch network of Taitung Business Bank in Taiwan following a government auction. The acquisition will add significant scale to ABN AMRO's Taiwan franchise where it is already a top three foreign bank. Under the terms of the sale, ABN AMRO is entitled to relocate the majority of 32 branches to prime locations for its mass-affluent and SME client base. After closure of the acquisition, the total number of branches in Taiwan will be 37.

Update on the integration of Prime Bank (Pakistan)

We have made considerable progress on the Prime Bank integration, achieving key milestones as scheduled, in particular in the IT, Finance, Communication, HR and Compliance areas. The amalgamation date, subject to final regulatory approvals, is scheduled for 1 September 2007. Starting from that date, the two banks are expected to operate as a single organisation in Pakistan.

THE BU PRIVATE CLIENTS

	Year to date				Quarterly							
	2007	2006	% change	% change ⁽¹⁾	Q2 2007	Q1 2007	% change	% change ⁽¹⁾	Q2 2006	% change	% change ⁽¹⁾	
	<i>(in millions of euros)</i>				<i>(in millions of euros)</i>				<i>(in millions of euros)</i>			
Net interest income	242	257	(5.8)	(5.3)	123	119	3.4	3.7	128	(3.9)	(3.4)	
Net fees and commissions	343	307	11.7	13.1	175	168	4.2	4.6	146	19.9	21.4	
Net trading income	37	36	2.8	2.5	17	20	(15.0)	(14.5)	27	(37.0)	(37.0)	
Other operating income	119	34			99	20			13			
Total operating income	741	634	16.9	18.4	414	327	26.6	27.6	314	31.8	34.1	
Total operating expenses	457	455	0.4	1.4	233	224	4.0	4.4	226	3.1	4.0	
Operating result	284	179	58.7	61.6	181	103	75.7	77.9	88	105.7	111.6	
Loan impairment	(3)	10			0	(3)			9			
Operating profit before tax	287	169	69.8	72.9	181	106	70.8	72.8	79	129.1	135.7	
Income tax expense	61	48	27.1	27.7	31	30	3.3	3.7	23	34.8	36.1	
Profit for the period	226	121	86.8	90.8	150	76	97.4	100.1	56	167.9	176.6	
Efficiency ratio	61.7%	71.8%			56.3%	68.5%			72.0%			

Note:

(1) Percentage change at constant foreign exchange rates (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change
Staff (FTE)	3,081	3,026	1.8	3,140	(1.9)	3,212	(4.1)
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>	
Assets under Administration	150	133	12.8	148	1.4	142	5.6
Total assets	19.2	18.5	3.8	19.2	0.0	18.6	3.2
Risk-weighted assets	8.3	8.0	3.8	8.1	2.5	7.7	7.8

Please note that from 1 January 2007 the results from the former International Diamonds & Jewellery Group are reported in Group Functions, and the results from Asset Management France are reported in the BU Asset Management. For the purpose of comparison, the 2006 results have been restated. As from 1 January 2007, the BU Private Clients includes the results of Vermogensgroep, the acquisition of which was completed in November 2006.

In the second quarter of 2007, ABN AMRO completed the sale of its Latin American Private Banking operations in Miami and Uruguay, including the Latin American portfolios in Switzerland and Luxembourg, to Itausa, the Brazilian holding company that has a controlling stake in Banco Itaú Financeira S.A., for a book profit of EUR 77 mln gross (EUR 72 mln net). Furthermore, the BU Private Clients successfully continued its organic growth expansion plans in core countries, marked by the opening of the first Private Clients branch in Rio de Janeiro, Private Clients' second branch in Brazil.

First half 2007 compared with first half 2006

- *Total operating income* increased by 16.9 per cent. to EUR 741 mln. Excluding the gain on the sale mentioned above, total operating income increased by 4.7 per cent. This was mainly driven by an 11.7 per cent. increase in net fees and commissions as a result of higher volumes in non-interest related products, such as stocks, investment funds and structured products. This is the result of continued focus on shifting the asset mix towards more profitable products.

These positive results were partly offset by a 5.8 per cent. decrease of net interest income to EUR 242 mln, due to strong pressure on margins as a result of high interest rates, particularly in the special savings account product.

Furthermore, we see strong revenue increases in our growth markets such as Asia and Brazil, as a result of continued investments.

- *Total operating expenses* were flat at EUR 457 mln, as a result of better cost management across all the regions. Lower costs in Western Europe were offset by investments in growth markets.
- The *operating result* increased by 58.7 per cent. Excluding the gain on the sale mentioned above, the operating result increased by 15.6 per cent. to EUR 207 mln.

- *Provisions* decreased by EUR 13 mln to a net release of EUR 3 mln due to a release of IBNI provision.
- *Profit for the period* increased by 86.8 per cent. Excluding the gain on the sale mentioned above, profit for the period increased by 27.3 per cent. to EUR 154 mln.
- *Assets under Administration* increased from EUR 133 bln at the end of June 2006 to EUR 150 bln at the end of June 2007, mainly reflecting higher net asset values due to improved financial markets, net new assets inflow and the inclusion of Vermogensgroep (EUR 3.6 bln). The sale of the operations in Miami and Uruguay had a negative impact of EUR 2.4 bln.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* increased by 26.6 per cent. Excluding the gain on the sale mentioned above, operating income increased by 3.1 per cent. to EUR 337 mln, predominantly driven by an increase in commissions due to higher performance and brokerage fees.
- *Total operating expenses* increased by 4.0 per cent. to EUR 233 mln as a result of investments in the expansion of the businesses in the Netherlands and in growth areas in Asia and Brazil.
- The *operating result* increased by 75.7 per cent. Excluding the gain on the sale mentioned above, the operating result was flat at EUR 104 mln.
- *Profit for the period* increased by 97.4 per cent. Excluding the gain on the sale mentioned above, profit for the period increased by 2.6 per cent. to EUR 78 mln.
- *Assets under Administration* increased from EUR 148 bln at the end of March 2007 to EUR 150 bln at the end of June 2007 despite the sale of the operations in Miami and Uruguay.

THE BU ASSET MANAGEMENT

	Year to date				Quarterly							
	2007	2006	% change	% change ⁽¹⁾	Q2 2007	Q1 2007	% change	% change ⁽¹⁾	Q2 2006	% change	% change ⁽¹⁾	
	<i>(in millions of euros)</i>				<i>(in millions of euros)</i>				<i>(in millions of euros)</i>			
Net interest income	(7)	(10)			(3)	(4)			(6)			
Net fees and commissions	460	390	17.9	18.4	241	219	10.0	10.5	210	14.8	14.7	
Net trading income	1	4			(1)	2			0			
Other operating income	31	32	(3.1)	0.0	17	14	21.4	22.1	2			
Total operating income	485	416	16.6	17.3	254	231	10.0	10.5	206	23.3	23.4	
Total operating expenses	316	269	17.5	18.4	165	151	9.3	9.7	137	20.4	20.9	
Operating profit before tax	169	147	15.0	15.4	89	80	11.3	11.9	69	29.0	28.4	
Income tax expense	43	39	10.3	10.0	21	22	(4.5)	(4.5)	23	(8.7)	(10.0)	
Profit for the period	126	108	16.7	17.3	68	58	17.2	18.1	46	47.8	47.6	
Efficiency ratio	65.2%	64.7%			65.0%	65.4%			66.5%			

Note:

(1) Percentage change at constant foreign exchange rates (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change
	Staff (FTE)	1,846	1,730	6.7	1,837	0.5	1,630
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>	
Assets under Management	211	180	17.2	209	1.0	193	9.3
Total assets	1.6	1.2	33.3	1.7	(5.9)	1.4	14.3
Risk-weighted assets	1.0	0.5	100.0	0.9	11.1	0.9	11.1

Please note that the results from Asset Management France (previously included in the BU Private Clients) were transferred to the BU Asset Management as from the start of 2007. For the purpose of comparison, the 2006 figures have been restated.

First half 2007 compared with first half 2006

Please note that the comparisons below are affected by the EUR 28 mln (gross and net) gain on the sale of the Asset Management operations in Curacao, completed in the first quarter of 2006.

- *Total operating income* increased by 16.6 per cent. to EUR 485 mln. Excluding the gain on the sale mentioned above, total operating income increased by 25.0 per cent., mainly due to increased net fees and commissions.

The 17.9 per cent. increase in commission income was related to the higher Asset under Management (AuM) levels, higher performance fees and higher fee levels on existing products. A continuous and successful focus on tailored solutions for our clients also resulted in a shift in the asset mix towards more profitable products. In addition, returns on seed capital positions, which are reported in the other operating income line, were considerably higher than in 2006, contributing to the overall improvement in revenues.

- *Total operating expenses* increased by 17.5 per cent. to EUR 316 mln, mainly due to higher personnel costs and bonus accruals.
- *Operating profit before tax* increased by 15.0 per cent. Excluding the gain on the sale mentioned above, the operating profit before tax increased by 42.0 per cent. and the efficiency ratio improved by 4.1 percentage points to 65.2 per cent.
- *Profit for the period* increased by 16.7 per cent. to EUR 126 mln. Excluding the gain on the sale mentioned above, profit for the period increased by 57.5 per cent.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* increased by 10.0 per cent. to EUR 254 mln. This result was mainly due to higher fees and commissions, which increased by EUR 22 mln, driven by higher AuM growth and performance fee income, as core products showed continued improved performance.

- *Total operating expenses* increased by 9.3 per cent. to EUR 165 mln mainly driven by higher personnel costs.
- The *operating profit before tax* increased by 11.3 per cent. to EUR 89 mln from EUR 80 mln. The efficiency ratio improved by 0.4 percentage points to 65.0 per cent.
- *Profit for the period* increased by 17.2 per cent. to EUR 68 mln.

Assets under Management

As at 30 June 2007, Assets under Management (AuM) amounted to EUR 210.6 bln compared with EUR 208.7 bln at the end of March 2007. This change in AuM can be explained by EUR 2.7 bln in net outflows and EUR 3.7 bln market appreciation along with positive currency effects of EUR 0.9 bln. The AuM level at Artemis continued to grow strongly. The asset mix is stable compared with the first quarter of 2007 with 46 per cent. equities, 36 per cent. fixed income and 18 per cent. cash and other.

THE BU PRIVATE EQUITY

	Year to date			Quarterly					
	2007 ⁽¹⁾	2006 ⁽¹⁾	% change	Q2 2007	Q2 2007 ⁽¹⁾	Q1 2007 ⁽¹⁾	% change	Q2 2006 ⁽¹⁾	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>		
Net interest income	18	7	157.1	(84)	6	12	(50.0)	1	
Net fees and commissions	3	6	(50.0)	0	0	3		(1)	
Results from fin. transactions	282	249	13.3	168	184	98	87.8	154	19.5
Other operating income	3	9	(66.7)	12	3	0		(11)	
Net sales private equity holdings	0	0		1,390	0	0		0	
Total operating income	306	271	12.9	1,486	193	113	70.8	143	35.0
Operating expenses	51	49	4.1	328	27	24	12.5	14	92.9
Goods and materials priv. equity holdings	0	0		979	0	0		0	
Total operating expenses	51	49	4.1	1,307	27	24	12.5	14	92.9
Operating result	255	222	14.9	179	166	89	86.5	129	28.7
Loan impairment	0	20		0	0	0		5	
Operating profit before tax	255	202	26.2	179	166	89	86.5	124	33.9
Income tax expense	(20)	(26)		3	(10)	(10)		(12)	
Profit for the period	275	228	20.6	176	176	99	77.8	136	29.4

Note:

(1) All figures exclude the consolidation effect of controlled non-financial investments (see annex 2).

	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change
Staff (FTE)	83	105	(21.0)	85	(2.4)	93	(10.8)
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>			<i>(in billions of euros)</i>
Risk-weighted assets	2.5	2.4	4.2	2.4	4.2	2.4	4.2

As announced with the first quarter 2007 results, ABN AMRO transferred, at the end of the second quarter, the investment management function of most of the businesses of the BU Private Equity (BU PE) to an independent management company with the objective to invest in mid-market buy-out opportunities in the Dutch, UK and Nordic markets. ABN AMRO sold the majority of the shares in this management company to the respective members who now have independent operational and commercial authority over all its activities. Concurrently, ABN AMRO made a long-term commitment to fund the ongoing investment programme of the management company. The ownership of the existing investments and therefore the economic interest in these investments has not changed.

Under International Financial Reporting Standards (IFRS), the income statements and balance sheets of companies in which the Group has a controlling interest are consolidated. As a result of the above-mentioned structural change in control within BU PE, the portfolio of investments managed by the independent management company will no longer be consolidated as of the next quarter, but instead will be carried at fair value with value changes directly impacting the profit and loss account. The investments have been revalued to fair value at the end of the second quarter. The step-up to fair value amounted to EUR 108 mln.

The BU PE operates through two lines of business (LoB): the Buy-out LoB and the Corporate Investments LoB.

In the second quarter of 2007, the BU PE made a total of EUR 104 mln of new investments, primarily in the Buy-out LoB. The BU PE also executed a number of divestments and refinancings, also primarily in the Buyout LoB, for a total amount of EUR 114 mln in gross proceeds.

As a result of investments, divestments, fair value changes of EUR 70 mln, and EUR 13 mln of currency and other effects, the value of the portfolio of the BU PE increased from EUR 2,213 mln to EUR 2,286 mln. At the end of the second quarter, the BU PE's portfolio consisted of EUR 1,803 mln of buy-out investments, EUR 443 mln of Corporate Investments and EUR 40 mln of listed shares. The portfolio managed by the Corporate Investment business on behalf of the BU Netherlands increased from EUR 116 mln to EUR 119 mln.

Please note that the results analysis below is based on figures excluding the consolidation effect of controlled investments, whereby uncontrolled investments are held at fair-market value and controlled investments are held at such investment's net asset value plus goodwill.

First half 2007 compared with first half 2006

- *Total operating income* increased by 12.9 per cent. to EUR 306 mln, mainly due to the loss of control over the management company and the resulting loss of control over the investments, resulting in the recording of a fair value step-up of EUR 108 mln as described above.
- *Total operating expenses* increased by EUR 2 mln to EUR 51 mln. This was mainly due to higher accrual for incentive compensation and provisions taken for reorganising the strategic focus of the BU PE.
- *The operating result* increased by EUR 33 mln to EUR 255 mln.
- *Provisions* decreased by EUR 20 mln to zero.
- *Profit for the period* increased by EUR 47 mln to EUR 275 mln.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* increased by EUR 80 mln to EUR 193 mln, as a result of higher unrealised fair-market value step ups of the investment portfolio (resulting from the transfer of the management function as described above) of EUR 108 mln being partly offset by lower realised returns from exited consolidated investments.
- *Total operating expenses* increased by EUR 3 mln to EUR 27 mln, due to higher staff costs.
- *The operating result* increased by EUR 77 mln to EUR 166 mln.
- *Profit for the period* increased by EUR 77 mln to EUR 176 mln.

GROUP FUNCTIONS, INCLUDING SERVICES

	Year to date			Quarterly				
	2007	2006	% change	Q2 2007	Q1 2007	% change	Q2 2006	% change
	<i>(in millions of euros)</i>			<i>(in millions of euros)</i>			<i>(in millions of euros)</i>	
Net interest income	(313)	29		(207)	(106)		(18)	
Net fees and commissions	114	49	132.7	129	(15)		21	
Net trading income	4	138		(37)	41		59	
Results from fin. transactions	70	0		(45)	115		(14)	
Results from equity holdings	51	27	88.9	20	31	(35.5)	20	
Other operating income	3	221		0	3		213	
Total operating income	(71)	464		(140)	69		281	
Total operating expenses	661	225	193.8	194	467	(58.5)	118	64.4
Operating result	(732)	239		(334)	(398)		163	
Loan impairment	(8)	10		(10)	2		9	
Operating profit before tax	(724)	229		(324)	(400)		154	
Income tax expense	(210)	(47)		(94)	(116)		(71)	
Net operating income	(514)	276		(230)	(284)		225	
Discontinued operations (net)	3	(36)		11	(8)		(13)	
Profit for the period	(511)	240		(219)	(292)		212	
	30 June 2007	30 June 2006	% change	31 March 2007	% change	31 December 2006	% change	
Staff (FTE)	3,128	4,649	(32.7)	3,541	(11.7)	4,524	(30.9)	
	<i>(in billions of euros)</i>			<i>(in billions of euros)</i>		<i>(in billions of euros)</i>		
Total assets	71.7	82.0	(12.6)	70.0	2.4	74.5	(3.8)	
Risk-weighted assets	4.7	8.0	(41.3)	4.9	(4.1)	(0.1)		

Note: Staff, total assets and risk-weighted assets are including discontinued operations.

Please note that as from 1 January 2007, Group Functions includes the results from the International Diamonds & Jewellery Group (ID&JG). For the purpose of comparison, the 2006 figures have been restated.

Please find below the major items in the first half of 2006 and the first half of 2007 that affected the results:

	Half year 2006			Half year 2007	
	Gross	Net		Gross	Net
	<i>(EUR million)</i>				
Gain from sale stake K&H Bank (Q2; income)	208	208		365	275
Services release (Q2; expenses)	(23)	(15)		81	60

The Futures business was sold to UBS in the third quarter of 2006. In the first half of 2006, the Futures business contributed EUR 118 mln in operating income and EUR 84 mln in operating expenses.

First half 2007 compared with first half 2006

- *Total operating income* decreased by EUR 535 mln to a negative EUR 71 mln. Excluding the gain on the sale of K&H and the income contribution of the Futures business, operating income decreased by EUR 209 mln. The fall can largely be explained by lower Asset & Liability Management (ALM) income and lower proprietary trading results for the Global Markets activities reported in Group Functions. The lower ALM income was due to higher funding costs as a result of higher euro and US dollar interest rates, lower returns on the investment portfolio as a result of the flattening yield curve, and marked-to-market losses on capital and risk hedging (CDS portfolio) as the result of credit spreads tightening.

- *Total operating expenses* increased by EUR 436 mln to EUR 661 mln. Excluding the items mentioned above (including the expenses of the Futures business in the first half of 2006), operating expenses increased by EUR 51 mln. Staff numbers declined by 1,521 FTEs due to the transfer of part of the audit, risk and compliance functions to the regions and as a result of reductions related to the measures, announced in 2006, aimed at improving the efficiency and productivity of Group Functions.
- *The operating result* decreased by EUR 971 mln to a negative EUR 732 mln. Excluding the items mentioned above (including the operating result of the Futures business in the first half of 2006), the operating result decreased by EUR 260 mln.
- *Provisioning* decreased by EUR 18 mln to a release of EUR 8 mln.
- *Tax expenses* declined by EUR 163 mln to a net credit of EUR 210 mln.
- *Discontinued operations* include certain revenues and expenses, largely stranded costs, related to the sale of LaSalle.
- *Profit for the period* decreased by EUR 751 mln to a loss of EUR 511 mln. Excluding the items mentioned above (including the profit of the Futures business in the first half of 2006), profit for the period decreased by EUR 166 mln.

Second quarter 2007 compared with first quarter 2007

- *Total operating income* decreased by EUR 209 mln to a negative EUR 140 mln, mainly due to lower ALM results and lower proprietary trading results. The lower ALM income was due to higher funding costs as a result of higher euro and US dollar interest rates and lower returns on the investment portfolio as a result of the flattening yield curve.
- *Total operating expenses* decreased by EUR 273 mln to EUR 194 mln. Excluding the EUR 365 mln provision for the DOJ settlement in the first quarter and EUR 81 mln transaction-related advisory fees in the second quarter, expenses increased by EUR 11 mln.
- *The operating result* increased by EUR 64 mln to a negative EUR 334 mln. Excluding the expense items mentioned above, the operating result decreased by EUR 220 mln.
- *Provisioning* decreased by EUR 12 mln to a release of EUR 10 mln.
- *Tax expenses* turned from a net credit of EUR 116 mln in the first quarter to a net credit of EUR 94 mln in the second quarter.
- *Net operating income* increased by EUR 54 mln to a negative EUR 230 mln. Excluding the items mentioned above, net operating income decreased by EUR 161 mln.
- *Discontinued operations* include certain revenues and expenses related to the financing and real estate transactions of the LaSalle business that are part of the Purchase and Sale Agreement by and between ABN AMRO and Bank of America. Global overhead charges allocated to LaSalle that continue to be incurred by ABN AMRO are included in the operating expenses of the continued operations.
- *Profit for the period* increased by EUR 73 mln to a loss of EUR 219 mln.

Recent developments

In 2006, ABN AMRO announced measures to improve the cost efficiency and productivity in Group Functions. The improvement in operational efficiency will be achieved by focusing on efficiency and productivity that will affect more than 500 FTEs, mainly at head office. In the fourth quarter we took a restructuring charge of EUR 29 mln. The headcount reduction has started in the first quarter and we are on track to deliver the reduction of 500 FTEs.

THE BU GLOBAL MARKETS

	Year to date		
	2007	2006	% change
	<i>(in millions of euros)</i>		
Net interest income	325	143	127.3
Net fees and commissions	598	547	9.3
Net trading income	1,813	1,392	30.2
Results from fin. transactions	(25)	18	
Other operating income	11	26	(57.7)
Total operating income	2,722	2,126	28.0
Total operating expenses	1,859	1,675	11.0
Operating result	863	451	91.4
Loan impairment	(1)	9	
Operating profit before tax	864	442	95.5
Income tax expense	134	66	103.0
Profit for the period	730	376	94.1
Efficiency ratio	68.3%	78.8%	

Note: The 2006 figures include the results of the Futures business, which was sold in the third quarter of 2006.

The BU Global Markets (BU GM) has returned record revenues for a third consecutive quarter, and a record half year, driven by continued momentum across the franchise (products and regions). This resulted in a market leading 8.1 percentage-point improvement in efficiency ratio for the first half of 2007, excluding the EUR 50 mln (EUR 38 mln net) Services charge booked in the first half of 2006, and an overall contribution to the Group adjusted operating result of 25.8 per cent. in the first six months.

- The business is well ahead of the full year 2007 commitment of a 75 per cent. efficiency ratio (68.0 per cent. in the second quarter of 2007, 68.3 per cent. in the first half of 2007).
- All businesses, except proprietary trading, demonstrated outperformance compared with 2006, with results confirming the benefits of a continued shift to a more structured product set, as well as last year's product and geographic participation choices.
- Growth has been supported by tight ongoing cost control and reinforced by the further embedding of a high-performance culture.
- These factors combined have consolidated the BU Global Markets' significantly improved peer position and leave the business well placed to deliver further gains.

First half 2007 compared with first half 2006

- *Total operating income* grew by 28.0 per cent. across all business lines and regions reflecting ABN AMRO's global franchise. Proprietary Trading was the only business line with lower revenues. The three principal businesses all delivered record first half revenues:

Equities: revenues were up by 44 per cent. as increased cash and derivative client flows continued to be supported by well-diversified risk taking. Highlights included rapid growth in retail as well as institutional equity derivatives businesses, especially in equity exotics, volatility, equity-linked and Securities Finance.

Financial Markets: revenues increased by 25 per cent., with the core business performing well, in particular credit and alternatives. Highlights of the second quarter included a second innovative Collateralised Debt Obligation (CDO) of natural catastrophe risk, which demonstrated the close co-ordination of the Credit and Alternatives, Structured Credit Marketing and the Financial Institutions Solutions Groups.

Structured Finance: revenues rose by 52 per cent., securing a top-two position in European debt. Emerging markets was a clear area of outperformance as the business delivered a series of asset-backed securitisation transactions for clients, closing deals in the second quarter in Brazil, Russia, Turkey and South Africa, among others.

- *Total operating expenses* were up 11.0 per cent. at EUR 1,859 mln driven in large part by higher bonus accruals on the back of significantly improved performance. Excluding the Services restructuring charge in 2006, total operating expenses increased by 14.4 per cent.
- *The operating result* improved by 91.4 per cent. to EUR 863 mln. Excluding the Services restructuring charge, the operating result improved by 72.3 per cent. The contribution of the BU GM to the Group's adjusted operating result increased from 17.3 per cent. in the first half of 2006 to 25.8 per cent. in the first half of 2007.

The efficiency ratio improved by 11 percentage points to 68.3 per cent. Excluding the Services restructuring charge, the efficiency ratio improved by 8.1 percentage points. The BU GM is already meeting its targeted efficiency ratio of 75 per cent. in 2007, despite the current corporate context.

- *Provisions* showed a small release of EUR 1 mln.
- *Taxes* increased by EUR 68 mln to EUR 134 mln.
- *Profit for the period* increased by 94.1 per cent. to EUR 730 mln.

Continued investment in our market leading units, combined with a demonstrated ability to execute the necessary remedial actions in lower-performing businesses and a strong pipeline, provide a robust platform for the BU GM going forward despite the current corporate uncertainty.

About the BU Global Markets

Managed as an integrated business, the BU GM encompasses the markets activities of the ABN AMRO Group, comprising Equities, Financial Markets, and Structured Finance. Equities comprise cash and derivatives sales and trading, research and corporate broking (Hoare Govett). Financial Markets covers macro-products (rates and foreign exchange), credit and alternatives, and local markets. Structured Finance includes fixed income origination, structuring and financing (both leveraged and high grade).

The results of the BU GM's Equities, Financial Markets and Structured Finance activities are reported in the regional Client BUs, while proprietary trading is reported in Group Functions.

THE BU GLOBAL CLIENTS

	Year to date		
	2007	2006	% change
	<i>(in millions of euros)</i>		
Net interest income	328	292	12.3
Net fees and commissions	780	587	32.9
Net trading income	394	294	34.0
Results from fin. transactions	14	1	
Other operating income	(6)	(7)	
Total operating income	1,510	1,167	29.4
Total operating expenses	1,137	994	14.4
Operating result	373	173	115.6
Loan impairment	2	(5)	
Operating profit before tax	371	178	108.4
Income tax expense	45	(2)	
Profit for the period	326	180	81.1
Efficiency ratio	75.3%	85.2%	

As of 1 January 2007 the results of the BU Global Clients (BU GC) are reported in the regional BUs to further drive close cooperation and synergies between the BU GC and the regions. Please note that the operating income of BU GC includes revenues from the sale of Global Markets products to the BU GC client base. This means there is overlap between the operating income of the BU GC and the BU Global Markets.

The BU GC had a very strong first half. It closed a large number of complex structured financial transactions for clients and, according to the Dealogic Investment Banking Strategy Review, is estimated to have grown significantly faster than the industry average. Underlying these results are a higher quality income stream and improvements in the BU GC's cost base and efficiency ratio.

- Total operating income rose 29.4 per cent., outpacing the market.
- Record profit for the period of EUR 326 mln exceeded total profit for the full year 2006, and currently represents 13.7 per cent. of the overall Group's adjusted profit for the period.
- Record increase in M&A and ECM revenues.

First half 2007 compared with first half 2006

The comparison below was impacted by the fair-market value adjustments of the stake in Korean Exchange Bank (KEB) (negative EUR 20 mln in 2006 and positive EUR 30 mln in 2007), and the Services restructuring charge of EUR 19 mln (EUR 14 mln net) in the first half of 2006.

- *Total operating income* increased by 29.4 per cent. to EUR 1,510 mln. Excluding the fair-market value adjustments of KEB, total operating income increased 24.7 per cent.

The strong first-half results reflect continued diversification in the product mix from traditional loan products to fee-driven products, which has resulted in strong growth in primary and secondary capital markets products. M&A and ECM related revenues grew by 70 per cent., the biggest increase ever. The first half of 2007 was also marked by several cross-border transactions, resulting from strong client relationships in Brazil, India and China (among others), and often driven by industry knowledge and M&A dialogue. The performance in the Financial Sponsors sector was noteworthy, showing continuing growth in its global market share, despite a reduced size of wallet available in the Netherlands.

Notable transactions in the first half included:

In Financial Institutions (FI), ABN AMRO advised on the acquisition by Groupe Banque Populaire of 60.93 per cent. of Foncia (listed on Euronext Paris) against a cash payment of EUR 800 mln from the founder and current CEO, and his family holding company. This operation marked Group Banque Populaire's first step into the real estate market while also aligned with the bank's strategy to diversify its product portfolio into non capital-intensive services.

In Telecoms, Media and Technology (TMT), ABN AMRO acted as joint financial adviser to Binariang GSM Sdn Bhd in its acquisition of Maxis Communications Berhad, one of the largest listed companies in Malaysia. The offer valued Maxis at USD 11.7 bln, making it the largest ever corporate transaction in Malaysia, and the second largest telecom acquisition and largest buy-out in Asia (ex-Australia).

In Energy & Resources (E&R), ABN AMRO acted as sole financial adviser and broker, and joint bookrunner, to Iberdrola in the EUR 17.1 bln acquisition of Scottish Power. ABN AMRO was also the mandated lead arranger and joint book runner of the bridge financing facility, which represents a milestone achievement for the Power and Utility sector.

Also in E&R, ABN AMRO, acting as sole lead arranger, successfully priced the largest corporate bond offering ever in Latin America for Petroleos de Venezuela (PDVSA), the fourth largest integrated oil company in the world. This multi-tranche USD 7.5 bln offering positioned our Structured Finance team (which includes capital markets) at the top of the Latin American and Emerging Market league tables.

In Global Industries, ABN AMRO acted as mandated lead arranger and book runner for the Porsche acquisition financing transaction, representing the second largest ever financing raised in the European syndicated loan market, and the largest syndicated facility ever led by ABN AMRO, won on the back of a strong and long standing relationship with Porsche.

These transactions contributed to ABN AMRO ranking 13th in Dealogic's first-half Investment Banking Strategy Review. ABN AMRO was also the fastest-growing bank, with an estimated 47 per cent. increase in Global Investment Banking revenues compared with the first half of 2006, versus an industry average of 19 per cent. This performance is particularly notable given ABN AMRO's limited participation in the US capital and advisory markets, the largest in the world.

- *Total operating expenses* increased by 14.4 per cent. Excluding the Services restructuring charge, total operating expenses increased by 16.6 per cent. This increase was mainly due to a higher bonus accrual as a result of higher revenues.
- *The operating result* increased by EUR 200 mln. Excluding the fair-market value adjustments of KEB and the Services restructuring charge, the operating result increased by 61.8 per cent. to EUR 343 mln.
- *Provisions* increased by EUR 7 mln to a net charge of EUR 2 mln.
- *Tax* increased by EUR 47 mln to EUR 45 mln. In the first half of 2006, a number of client-driven transactions with positive tax implications resulted in a net tax credit.
- *Profit for the period* increased by EUR 146 mln to EUR 326 mln. Excluding the fair-market value adjustments of KEB and the Services restructuring charge, profit for the period increased by 38.3 per cent. to EUR 296 mln.

About the BU Global Clients

Responsibility for the Mergers & Acquisitions and Equity Capital Markets products for all clients of ABN AMRO falls under the BU GC. In line with its mandate to make innovation and product expertise available to the mid-market clients of the regional Client BUs, the BU GC has driven a significant increase in M&A and ECM revenues generated from the regional Client BUs' clients by deploying its own M&A and ECM resources to the regional Client BUs. To fully reflect the value generated by the BU GC, all ECM and M&A revenues, whether generated by regional or large corporate clients, are included in the results of the BU GC as of 1 January 2007. The 2006 results have been restated accordingly.

The five client industry groups served are Financial Institutions (FI); Technology, Media & Telecommunications (TMT); Energy & Resources (E&R); Financial Sponsors and Merchant Banking (FS&MB); and Global Industries (including Automotive, Consumer and Global Industrials).

ANNEX 1

This is an announcement pursuant to article 9b paragraph 1 of the Dutch Securities Markets Supervision Decree (*Besluit toezicht effectenverkeer 1995*).

Cautionary statement regarding forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements are statements that are not historical facts, including statements about our beliefs and expectations. Any statement in this announcement that expresses or implies our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections, as they are currently available to the management of ABN AMRO. Forward-looking statements therefore speak only as of the date they are made, and we take no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could therefore cause actual future results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, without limitation, the consummation of our proposed merger with Barclays; the conditions in the financial markets in Europe, the United States, Brazil and elsewhere from which we derive a substantial portion of our trading revenues; potential defaults of borrowers or trading counterparties; the implementation of our restructuring including the envisaged reduction in headcount; the reliability of our risk management policies, procedures and methods; the outcome of ongoing criminal investigations and other regulatory initiatives related to compliance matters in the United States and the nature and severity of any sanctions imposed; and other risks referenced in our filings with the US Securities and Exchange Commission. For more information on these and other factors, please refer to Part I: Item 3.D "Risk Factors" in our Annual Report on Form 20-F filed with the US Securities and Exchange Commission and to any subsequent reports furnished or filed by us with the US Securities and Exchange Commission. The forward-looking statements contained in this announcement are made as of the date hereof, and the companies assume no obligation to update any of the forward-looking statements contained in this announcement.

Additional Information

The offer launched by the consortium of Fortis, RBS and Santander is under consideration by the ABN AMRO boards. ABN AMRO will, in the near future but at the latest by 6 August 2007, file with the US Securities and Exchange Commission a Solicitation/Recommendation Statement on Schedule 14D-9 and advise the ABN AMRO shareholders (i) whether it recommends acceptance or rejection of such offer, expresses no opinion and remains neutral toward such offer, or is unable to take a position with respect to such offer and (ii) the reason(s) for its position with respect to such offer. The ABN AMRO boards request the ABN AMRO shareholders to defer making a determination on whether to accept or reject such offer until they have been advised of ABN AMRO's position with respect to the offer.

Barclays has filed with the US Securities and Exchange Commission a Registration Statement on Form F-4 which contains a prospectus. Barclays expects to file with the US Securities and Exchange Commission amendments to such Registration Statement as well as a Tender Offer Statement on Schedule TO and other relevant materials. In addition, ABN AMRO expects that it will file with the US Securities and Exchange Commission a Solicitation/Recommendation Statement on Schedule 14D-9 and other relevant materials. Such documents, however, are not currently available.

INVESTORS ARE URGED TO READ ANY DOCUMENTS REGARDING THE POTENTIAL OFFER IF AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

The publication and distribution of this document and any separate documentation regarding the intended Offer, the making of the intended Offer and the issuance and offering of Barclays ordinary shares may, in some jurisdictions, be restricted by law. This document is not being published and the intended Offer is not being made, directly or indirectly, in or into any jurisdiction in which the publication of this announcement and the making of the intended Offer would not be in compliance with the laws of that jurisdiction. Persons who come into possession of this announcement should inform themselves of and observe any of these restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of that jurisdiction.

ANNEX 2

Use of non-GAAP financial measures

Constant foreign exchange rates

Throughout the discussion of the operating results in the press release, the financial results and performance compared to the prior period, both in euros and percentage terms, are given in euros. We may also, where deemed significant, explain variances in terms of “constant foreign exchange rates” or “local currency”. Both “constant foreign exchange rates” and “local currency” exclude the effect of currency translation differences and is a non-GAAP financial measure which, unlike actual growth, cannot be derived directly from the information in the financial statements. “Local currency” performance is measured for single currency volume differences. Management assesses, in part, the underlying performance of our individual businesses by separating foreign exchange translation effects throughout the income statement so as to understand the underlying trend of the business performance. The adjustments relate in particular to the impact of fluctuations in exchange rates used in translating results reported by our BUs North America and Latin America in US dollar and Brazilian real into euros, as well as the various currencies making up BU Asia. Management believes that the exclusion of these items provides a better understanding of the underlying operational performance of our businesses during such periods. Fluctuations in exchange rates are outside of the control or influence of management and may distort the analysis of underlying operating performance of our businesses during the periods under review. External stakeholders, such as business analysts, also use these measures. However, we recognise that these measures should not be used in isolation and, accordingly, we begin our analysis in the press release on the performance of the bank and of the BUs with the comparable GAAP actual growth measures that reflect all the factors that affect our business. We calculate the comparable constant foreign exchange rate performance by multiplying the local currency volumes over the period to be compared with the average monthly exchange rates of the previous period being compared. For example, the volumes of the year ended 31 December 2006, are multiplied by the average monthly exchange rates of 2005 to compare with the results of the 2005 on a constant basis.

Consolidation effect controlled non-financial investments

IAS 27 requires the consolidation of private equity investments over which we have control, including non-financial investments managed as private equity investments. However, as a practical matter, our private equity business is managed separately from the rest of our banking business and management does not measure the performance of our banking business based on our consolidated results of operations. Our private equity business involves buying equity stakes in unlisted companies over which we can establish influence or control, and managing these shareholdings as an investor for a number of years with a view to selling these with a profit. The companies in which we have these temporary holdings are active in different types of business other than the financial industry. We believe that combining these temporary holdings with our core banking business does not provide a meaningful basis for discussion of our financial condition and results of operations.

In the presentation of the tables in this press release, in order to understand our performance, we have removed the effects of a line-by-line consolidation in the income statement of the private equity holdings of our Business Unit Private Equity. The results excluding the consolidation effect include the “de-consolidated” holdings based on the equity method. Similarly, in the presentation of our consolidated results of operations and in the segment discussion of our Business Unit Private Equity, we have removed the effects of consolidation of our private equity holdings from the various line items of the income statement and classified only the net operating profit of these investments under “Results from financial transactions”. The measures excluding the effects of consolidation of our private equity holdings are non-GAAP financial measures. Our management refers to these non-GAAP financial measures in making operating decisions because the measures provide meaningful supplemental information regarding our operational performance. In addition, these non-GAAP financial measures facilitate management’s internal comparisons to our historical operating results and comparisons to competitors’ operating results. In accordance with applicable rules and regulations, we have presented, and investors are encouraged to review, reconciliations of non-GAAP financial measures to the most comparable GAAP measures, i.e., reconciliations of our results excluding the consolidation effects of our private equity holdings to our results including those effects in this Annex.

The following table provides an overview of the income statement reconciliation of the non-GAAP financial measure “Group excluding consolidation effect” to “Group including consolidation effect”, the latter being fully compliant with IFRS.

Reconciliation of income statement to Group income statement including consolidation of consolidated non-financial investments

	First half year 2007			First half year 2006		
	Group (excl. cons. effect)	cons. effect	Group (incl. cons. effect)	Group (excl. cons. effect)	cons. effect	Group (incl. cons. effect)
	<i>(in millions of euros)</i>					
Net interest income	4,784	(190)	4,594	4,467	(156)	4,311
Net fees and commissions	2,872	0	2,872	2,602	0	2,602
Net trading income	1,937	3	1,940	1,479	(2)	1,477
Result from financial transactions	628	39	667	320	1	321
Result from equity participations	138	1	139	124	0	124
Other operating income .	294	0	294	469	19	488
Net sales private equity holdings	0	2,783	2,783	0	2,634	2,634
Total operating income .	10,653	2,636	13,289	9,461	2,496	11,957
Operating expenses . . .	7,690	666	8,356	6,745	610	7,355
Goods and materials private equity holdings	0	1,949	1,949	0	1,855	1,855
Total operating expenses	7,690	2,615	10,305	6,745	2,465	9,210
Operating result	2,963	21	2,984	2,716	31	2,747
Loan impairment	886	0	886	720	0	720
Operating profit before tax	2,077	21	2,098	1,996	31	2,027
Income tax expense . . .	411	21	432	317	31	348
Net operating profit . . .	1,666	0	1,666	1,679	0	1,679
Discontinued operations (net)	554	0	554	573	0	573
Profit for the period . . .	2,220	0	2,220	2,252	0	2,252

ANNEX 3

ABN AMRO Holding N.V.

Interim Financial Report
for the period ended 30 June 2007

Consolidated income statement for the six months ended 30 June/three months ended 30 June

	Six months ended 30 June 2007	Six months ended 30 June 2006	Three months ended 30 June 2007	Three months ended 30 June 2006
	<i>(in millions of euros)</i>			
Net interest income ⁽⁴⁾	4,594	4,311	2,356	2,166
Net fee and commission income ⁽⁵⁾	2,872	2,602	1,504	1,310
Net trading income ⁽⁶⁾	1,940	1,477	939	654
Results from financial transactions ⁽⁷⁾	667	321	314	230
Share of result in equity accounted investments ⁽¹⁸⁾	139	124	70	74
Other operating income ⁽⁸⁾	294	488	166	333
Income of consolidated private equity holdings ⁽²⁴⁾	2,783	2,634	1,390	1,388
Operating income	13,289	11,957	6,739	6,155
Personnel expenses ⁽⁹⁾	4,281	3,596	2,183	1,843
General and administrative expenses	3,449	3,195	1,590	1,637
Depreciation and amortisation	626	564	294	289
Goods and materials of consolidated private equity holdings ⁽²⁴⁾	1,949	1,855	979	1,003
Operating expenses	10,305	9,210	5,046	4,772
Loan impairment and other credit risk provisions ⁽¹⁷⁾	886	720	483	400
Total expenses	11,191	9,930	5,529	5,172
Operating profit before taxes	2,098	2,027	1,210	983
Income tax expense ⁽¹⁰⁾	432	348	264	70
Profit from continuing operations	1,666	1,679	946	913
Profit from discontinued operations net of tax ⁽¹¹⁾	554	573	210	301
Profit for the period	2,220	2,252	1,156	1,214
Attributable to:				
Shareholders of the parent company	2,165	2,219	1,130	1,216
Minority interests	55	33	26	(2)
Earnings per share attributable to the shareholders of the parent company (in euros)⁽¹²⁾				
From continuing operations				
Basic	0.87	0.88	0.50	0.49
Diluted	0.86	0.88	0.50	0.49
From continuing and discontinued operations				
Basic	1.17	1.18	0.61	0.65
Diluted	1.16	1.18	0.61	0.64

Numbers stated against items refer to the notes.

Consolidated balance sheet

	30 June 2007	31 December 2006
	<i>(in millions of euros)</i>	
Assets		
Cash and balances at central banks	14,485	12,317
Financial assets held for trading ⁽¹³⁾	248,925	205,736
Financial investments ⁽¹⁴⁾	101,701	125,381
Loans and receivables—banks ⁽¹⁵⁾	183,338	134,819
Loans and receivables—customers ⁽¹⁶⁾	441,904	443,255
Equity accounted investments ⁽¹⁸⁾	1,591	1,527
Property and equipment	3,798	6,270
Goodwill and other intangible assets ⁽¹⁹⁾	7,140	9,407
Assets of businesses held for sale ⁽¹¹⁾	84,442	11,850
Accrued income and prepaid expenses	9,822	9,290
Other assets	22,913	27,212
Total assets	<u>1,120,059</u>	<u>987,064</u>
Liabilities		
Financial liabilities held for trading ⁽¹³⁾	159,709	145,364
Due to banks	254,299	187,989
Due to customers	354,260	362,383
Issued debt securities ⁽²⁰⁾	191,160	202,046
Provisions	7,951	7,850
Liabilities of businesses held for sale ⁽¹¹⁾	80,380	3,707
Accrued expenses and deferred income	8,710	10,640
Other liabilities	22,053	21,977
Total liabilities (excluding subordinated liabilities)	<u>1,078,522</u>	<u>941,956</u>
Subordinated liabilities ⁽²¹⁾	14,707	19,213
Total liabilities	<u>1,093,229</u>	<u>961,169</u>
Equity		
Share capital	1,085	1,085
Share premium	5,257	5,245
Treasury shares	(2,213)	(1,829)
Retained earnings	19,843	18,599
Net gains not recognised in the income statement	709	497
Equity attributable to shareholders of the parent company	<u>24,681</u>	<u>23,597</u>
Equity attributable to minority interests	2,149	2,298
Total equity	<u>26,830</u>	<u>25,895</u>
Total equity and liabilities	<u>1,120,059</u>	<u>987,064</u>
Credit related contingent liabilities ⁽²²⁾	57,614	51,279
Committed credit facilities ⁽²²⁾	151,607	145,418

Numbers stated against items refer to the notes.

Consolidated statement of changes in equity for the six months ended 30 June

	2007	2006
	<i>(in millions of euros)</i>	
Share capital		
Balance at 1 January	1,085	1,069
Dividends paid in shares	—	5
Balance at 30 June	<u>1,085</u>	<u>1,074</u>
Share premium		
Balance at 1 January	5,245	5,269
Share-based payments	70	57
Dividends paid in shares	(58)	(86)
Balance at 30 June	<u>5,257</u>	<u>5,240</u>
Treasury shares		
Balance at 1 January	(1,829)	(600)
Share buy back	(1,241)	(600)
Utilised for dividends paid in shares	412	600
Utilised for exercise of options and performance share plans	445	112
Balance at 30 June	<u>(2,213)</u>	<u>(488)</u>
Retained earnings		
Balance at 1 January	18,599	15,237
Profit attributable to shareholders of the parent company	2,165	2,219
Cash dividends paid	(469)	(420)
Dividends paid in shares	(586)	(458)
Other	134	114
Balance at 30 June	<u>19,843</u>	<u>16,692</u>
Net gains/(losses) not recognised in the income statement		
Currency translation account		
Balance at 1 January	408	842
Transfer to income statement relating to disposals	—	(7)
Currency translation differences	284	(261)
Subtotal—Balance at 30 June	<u>692</u>	<u>574</u>
Net unrealised gains/(losses) on available-for-sale assets		
Balance at 1 January	364	1,199
Net unrealised gains/(losses)	(114)	(849)
Net (gains)/losses reclassified to the income statement	(302)	(154)
Subtotal—Balance at 30 June	<u>(52)</u>	<u>196</u>
Cash flow hedging reserve		
Balance at 1 January	(275)	(795)
Net unrealised gains/(losses)	231	407
Net (gains)/(losses) reclassified to the income statement	113	51
Subtotal—Balance at 30 June	<u>69</u>	<u>(337)</u>
Net gains/(losses) not recognised in the income statement at 30 June	<u>709</u>	<u>433</u>
Equity attributable to shareholders of the parent company at 30 June	<u>24,681</u>	<u>22,951</u>
Minority interests		
Balance at 1 January	2,298	1,931
Additions/Reductions	(190)	66
Acquisitions/Disposals	—	19
Profit attributable to minority interests	55	33
Currency translation differences	(18)	(46)
Other movements	4	(39)
Equity attributable to minority interests at 30 June	<u>2,149</u>	<u>1,964</u>
Total equity at 30 June	<u>26,830</u>	<u>24,915</u>

Consolidated Cash Flow Statement for the six months ended 30 June

	<u>2007</u>	<u>2006</u>
	<i>(in millions of euros)</i>	
Cash flows from operating activities from continuing operations	(146)	(2,027)
Cash flows from operating activities from discontinued operations	(9,254)	(842)
Cash flows from investing activities from continuing operations	(2,738)	(13,967)
Cash flows from investing activities from discontinued operations	9,373	1,264
Cash flow from financing activities from continuing operations	7,761	6,341
Cash flow from financing activities from discontinued operations	(146)	93
Movement in cash and cash equivalents	<u>4,850</u>	<u>(9,138)</u>
Cash and cash equivalents at 1 January	<u>4,872</u>	<u>6,043</u>
Cash and cash equivalents at 30 June	<u><u>9,722</u></u>	<u><u>(3,095)</u></u>
	<i>(in millions of euros)</i>	
Determination of cash and cash equivalents:		
Cash and balances at central banks	15,644	8,588
Loans and receivables—banks	12,724	5,879
Due to banks	<u>(18,646)</u>	<u>(17,562)</u>
Cash and cash equivalents at 30 June	<u><u>9,722</u></u>	<u><u>(3,095)</u></u>

Notes to the Consolidated Income Statement and Balance Sheet (unless otherwise stated, all amounts are in millions of euros)

1 Basis of presentation

This interim financial report for the period ended 30 June 2007 is prepared in accordance with IAS 34 – Interim Financial Reporting. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of ABN AMRO Holding N.V. for the year ended 31 December 2006 as included in the Annual Report 2006. ABN AMRO's 2006 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and do not utilise the portfolio hedging carve out permitted by the EU. Accordingly, the accounting policies applied by the Group comply fully with IFRS. In preparing this interim financial report, the same accounting principles and methods of computation are applied as in the consolidated financial statements for the year ended 31 December 2006 except for the changes stated below. In the opinion of management, all adjustments necessary for a fair presentation of the results of operations for the interim periods have been made. This interim financial report is unaudited.

Changes in accounting policies

In the first quarter we have revised the presentation of interest income and expense related to trading activities. Trading book interest is no longer separated out and reported within the net interest income line, but in the net trading income line. Trading income now comprises gains and losses on financial instruments held for trading, both realised and unrealised, interest income and dividends as well as the related funding costs. The change in presentation reflects new guidance available in IFRS 7 Financial Instruments: Disclosure which replaces the disclosure requirements previously included in IAS 32 Financial Instruments: Presentation whereby the requirements to disclose interest data are now restricted to that relating to activities not held at fair value.

2 Developments

ABN AMRO North America Holding Company

On 22 April 2007, ABN AMRO entered into an agreement to sell ABN AMRO North America Holding Company, which principally consists of the retail and commercial banking activities of LaSalle Bank Corporation ("LaSalle") to Bank of America. ABN AMRO's North American Asset Management businesses and certain businesses within ABN AMRO's North American Global Markets and Global Clients operations do not form part of the sale. On 13 July 2007 the Supreme Court's ruling confirmed management's view that no shareholder approval was required to execute the sale. The sale is expected to close in the fourth quarter of 2007.

Under the sale and purchase agreement the sale price is USD 21 billion. In addition, the sale and purchase agreement articulates that an amount of USD 6 billion of debt, on the basis of the US GAAP financial report of LaSalle, is converted into equity and that ABN AMRO is not entitled to a dividend in respect of the 2007 results. If the cumulative US GAAP result of LaSalle for the period 1 April 2007 until 31 December 2007 (or a proportion thereof if the transaction is settled before the year end), is less than USD 600 million, the sale price will be reduced with the difference.

The asset and liabilities of ABN AMRO North America Holding Company are presented as assets of businesses held for sale and liabilities of businesses held for sale respectively. The net result of these discontinued operations for the period to 30 June 2007 is presented as profit from discontinued operations net of tax. For more details on the presentation of discontinued operations please refer to note 11 of this interim financial report.

The transaction is expected to be settled in the fourth quarter. We currently estimate the gain on the sale to be in the range of EUR 7 billion to EUR 7.5 billion.

ABN AMRO Capital

During the quarter, ABN AMRO sold a majority of the shares of AAC Capital Holdings B.V., the management company of certain private equity investments held by the Group, to the executives of the management company. Also as part of the sale, the Bank transferred all power to govern the financial and operating policies of the management company and all investment decisions related to a significant

portion of the Group's private equity investments (the Dutch, Nordic and UK business of ABN AMRO Capital) resulting in the loss of control over these investments to a management company outside of ABN AMRO. The ownership of the underlying investments and therefore the economic interest in the investments has not changed. The loss of control over the management company resulted in the concerned investments to no longer be consolidated in the financial statements of the Group. As of the date of the transaction the investments are recognised and carried at fair value with changes through income. This transaction has resulted in a gain from financial transactions of EUR 108 million.

Update on status of US Department of Justice investigation

As previously disclosed, the United States Department of Justice has been conducting a criminal investigation into the Bank's dollar clearing activities, OFAC compliance procedures and other Bank Secrecy Act compliance matters. The Bank has cooperated and continues to cooperate fully with the investigation. Although no written agreement has yet been reached and negotiations are ongoing, the Bank has reached an agreement in principle with the Department of Justice that would resolve all presently known aspects of the ongoing investigation.

Under the terms of the agreement in principle, the Bank and the United States would enter into a deferred prosecution agreement relating to the issues that are the subject of the current criminal investigation. In the deferred prosecution agreement, the Bank would waive indictment and agree to the filing of an information in the United States District Court charging it with certain violations of federal law based on information disclosed in an agreed factual statement. The Bank would also agree to continue cooperating in the United States' ongoing investigation and to settle all known civil and criminal claims currently held by the United States for the sum of USD 500 million. The precise terms of the deferred prosecution agreement are still under negotiation.

In consideration for the foregoing provisions, as well as the Bank's extensive remedial actions to date and its willingness to demonstrate future good conduct and full compliance with all applicable federal laws, the United States would recommend to the United States District Court that the prosecution of the Bank under the information be deferred for a fixed period. At the end of that fixed period, provided the Bank is in full compliance with all of its obligations under the deferred prosecution agreement, the United States would seek dismissal with prejudice of the information filed against the Bank. The precise terms of the deferred prosecution agreement and agreed factual statement are still under negotiation.

Main acquisitions

Prime Bank Ltd (Pakistan)

On 5 March 2007 ABN AMRO entered into agreements to acquire a controlling interest of 93.4 per cent. in Prime Bank, Pakistan. Through the subsequent tender offer for all remaining shares of Prime Bank that expired on 29 March 2007 ABN AMRO obtained additional shares representing 2.8 per cent., bringing the total stake in Prime Bank to 96.2 per cent. The transactions were closed on 5 April 2007. The total consideration paid amounts to EUR 176 million. The provisional goodwill arising from the acquisition was calculated at EUR 163 million.

The preliminary allocation of the purchase price to the assets acquired, including newly identifiable assets resulting from the acquisition, and (contingent) liabilities assumed, using their fair values at the acquisition date and the resulting goodwill is based on provisional fair values of assets acquired and (contingent) liabilities assumed, and may be adjusted during the period up to one year after acquisition as more information is obtained about these fair values.

Private Equity

Major new buy-out investments in the second quarter in 2007 were:

- OyezStraker (UK, stationary and office suppliers).
- Dunlop Aircraft Tyres (UK, aircraft tyre manufacturer).

Major new buy-out investments in the first quarter 2007 were:

- Sdu (Netherlands, publishing).
- Baarsma Wine Group (Netherlands, wine distribution).

- Vetus den Ouden (Netherlands, nautical equipment).
- T.G.I. Friday's Ltd. (UK, restaurants).

Main Disposals

Private Banking operations in Miami and Montevideo

In April 2007, BU Private Banking disposed of its operations in Miami and Montevideo. Banco Itaú, a privately owned bank with its headquarters in Sao Paulo, Brazil, acquired these operations through an auction process. The profit recognised on the sale, included in other operating income, amounted to EUR 72 million after tax.

ABN AMRO Mortgage Group, Inc.

On 28 February 2007 ABN AMRO closed the sale of ABN AMRO Mortgage Group, Inc., its US-based residential mortgage broker origination platform and servicing business, which includes ABN AMRO Mortgage Group, InterFirst and Mortgage.com, to Citigroup. Citigroup purchased approximately EUR 7.8 billion of net assets, of which approximately EUR 2.1 billion consist of ABN AMRO Mortgage Group's mortgage servicing rights associated with its EUR 170 billion mortgage servicing portfolio. The profit on the sale amounted to EUR 93 million after tax and is included in Profit from discontinued operations net of tax (see note 11 for more details).

Private Equity

There were no major divestments in the second quarter 2007.

Major divestment in the first quarter 2007 was:

Holiday Park Ltd./Beach Equity Ltd. (UK, leisure).

3 Segment reporting

Segment information is presented in respect of the Group's business. The primary presentation, business segments, is consistent with the Group's management and internal reporting structure applicable in the financial year.

Measurement of segment assets, liabilities, income and results is based on the Group's accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

As of 1 January 2007, the results of product BU Global Clients are being reported in the regional BUs. This has been done to further drive close cooperation and synergies between the product focused BU Global Clients and the regions. In addition Asset Management France and the International Diamonds and Jewelry Group have been transferred from BU Private Clients to BU Asset Management and Group Functions respectively. The comparative segment figures of 2006 have been restated.

Business segments

Below the business segments are described. In the "Business review" chapter of the 2006 Annual Report more detailed descriptions of the activities of these segments are included.

Netherlands

BU Netherlands serves a diverse client base that comprises consumer and commercial clients. BU Netherlands offers a broad range of investment, commercial and retail banking products and services via its multi-channel service model consisting of a network of branches, internet banking facilities, a customer contact center and ATMs throughout the Netherlands. BU Netherlands focuses increasingly on mass-affluent customers and commercial mid-market clients. BU Netherlands also comprises the ABN AMRO Mortgage Group including the former Bouwfonds mortgage activities.

Europe (including Antonveneta)

BU Europe provides its consumer and commercial clients with a range of financial products and services. BU Europe combines activities in 27 countries: 23 countries in Europe (excluding the Netherlands) along with Kazakhstan, Uzbekistan, Egypt and South Africa.

Antonveneta is rooted in northeastern Italy, and focuses on consumer and commercial mid-market clients.

North America

The core of BU North America is LaSalle Bank, headquartered in Chicago, Illinois. BU North America serves a large number of clients, including small businesses, mid-market companies, larger corporates, institutions, non-profit entities and municipalities in the US and Canada. BU North America offers a broad range of investment, commercial and retail banking products and services through a network of branches and ATMs in Illinois, Michigan and Indiana. BU North America focuses increasingly on mass-affluent customers and commercial mid-market clients. While based in the US Midwest, BU North America reaches further through an expanding network of regional commercial banking offices across the US. The activities of ABN AMRO Mortgage Group, Inc. were sold in the first quarter of 2007.

On 22 April 2007, ABN AMRO entered into an agreement to sell ABN AMRO North America Holding Company, which principally consists of the retail and commercial banking activities of LaSalle Bank Corporation ("LaSalle") to Bank of America. For further disclosure on this sale please refer to note 2 and note 11 of this interim financial report.

Latin America

BU Latin America has a presence in nine Latin American countries: Brazil, Argentina, Chile, Colombia, Ecuador, Mexico, Paraguay, Uruguay and Venezuela, with the presence of Banco Real representing the majority of the operations. In Brazil, Banco Real is a retail and commercial bank, offering full retail, corporate and investment banking products and services. It operates as a universal bank offering financial services through an extensive network of branches, points-of-sale and ATMs. BU Latin America also has a strong presence in the Brazilian consumer finance business through its Aymoré franchise, focused on vehicle and other consumer goods financing.

Asia

ABN AMRO has been operating for well over 100 years in several Asian countries including Indonesia, China, Singapore and Japan. BU Asia now covers 16 countries and territories and is extending its branches and offices network. BU Asia's client base includes commercial clients as well as consumer and private banking clients.

Private Clients

BU Private Clients offers private banking services to wealthy individuals and institutions with EUR 1 million or more in net investable assets. In the past few years, BU Private Clients built up an onshore private banking network in continental Europe through organic growth in the Netherlands and France, and through the acquisition of Delbrück Bethmann Maffei in Germany and Bank Corluy in Belgium.

Asset Management

BU Asset Management is ABN AMRO's global asset management business. BU Asset Management operates in 26 countries worldwide, offering investment products in all major regions and asset classes. Its products are distributed directly to institutional clients such as central banks, pension funds, insurance companies and leading charities. Funds for private investors are distributed through ABN AMRO's consumer and private banking arms, as well as via third-party distributors such as insurance companies and other banks. The institutional client business represents just over half of the assets managed by BU Asset Management. Consumer and third-party clients account for a further 30 per cent., and the remainder is in discretionary portfolios managed for BU Private Clients.

Private Equity

The business model of ABN AMRO's Private Equity unit—branded as ABN AMRO Capital—involves providing capital and expertise to non-listed companies in a variety of sectors. By obtaining, in most cases, a majority stake, Private Equity gains the ability to influence the company's growth strategy and increase its profitability. It then aims to sell its shareholding at a profit after a number of years. Private Equity specialises in European mid-market buyouts, but also manages a portfolio of investments in Australian buyouts, non-controlling and controlling shareholdings in small to medium sized Dutch companies (“participaties”), and dedicated media and telecom sector investments. It operates from seven offices across Europe and Australia.

As a result of the sale of the majority of the shares in AAC Capital Holdings B.V. to the management of this company, as described in note 2 of this interim financial report, the Group will only act as an investor for these investments going forward and will no longer participate actively in the management of the acquired investments.

Group Functions

Group Functions provides guidance on ABN AMRO's corporate strategy and supports the implementation of the strategy in accordance with our Managing for Value methodology, Corporate Values and Business Principles. By aligning and uniting functions across ABN AMRO's BUs and geographical territories, Group Functions also facilitates Group-wide sharing of best practices, innovation and positioning to public authorities, and binds the bank together in both an operational and cultural sense.

Group Functions includes Group Asset and Liability Management, which manages an investment and derivatives portfolio in order to manage the liquidity and interest rate risks of the Group. Group Functions also holds the Group's strategic investments, proprietary trading portfolio, the International Diamonds & Jewelry Group and records any related profits or losses.

Business segment information—for the six months ended 30 June 2007

	Netherlands	Europe	North America	Latin America	Asia	Private Clients	Asset Management	Private Equity	Group Functions	Total Group
Net interest income	1,730	920	110	1,744	340	242	(7)	(172)	(313)	4,594
Net fee and commission income	499	543	160	251	499	343	460	3	114	2,872
Net trading income	360	1,069	106	50	311	37	1	2	4	1,940
Result from financial transactions	11	32	2	183	22	4	22	321	70	667
Share of result in equity accounted investments . .	23	4	—	22	34	—	4	1	51	139
Other operating income . . .	78	39	13	37	—	115	5	4	3	294
Income of consolidated private equity holdings . .	—	—	—	—	—	—	—	2,783	—	2,783
Operating income	2,701	2,607	391	2,287	1,206	741	485	2,942	(71)	13,289
Operating expenses⁽¹⁾	1,773	1,956	434	1,234	808	457	316	2,666	661	10,305
Loan impairment and other credit risk provisions . . .	206	163	(17)	436	109	(3)	—	—	(8)	886
Total expenses	1,979	2,119	417	1,670	917	454	316	2,666	653	11,191
Operating profit before taxes	722	488	(26)	617	289	287	169	276	(724)	2,098
Income tax expense	154	128	(45)	235	65	61	43	1	(210)	432
Profit from continuing operations	568	360	19	382	224	226	126	275	(514)	1,666
Profit from discontinued operations net of tax . . .	2	—	549	—	—	—	—	—	3	554
Profit for the period	570	360	568	382	224	226	126	275	(511)	2,220

Note:

- (1) The operating expenses in BU North America and in BU Group Functions include an amount of EUR 98 million and EUR (23) million respectively of global overhead costs allocated to LaSalle, but not considered discontinued.

Business segment information—for the six months ended 30 June 2006

	Netherlands	Europe	North America	Latin America	Asia	Private Clients	Asset Management	Private Equity	Group Functions	Total Group
Net interest income	1,609	767	49	1,477	282	257	(10)	(149)	29	4,311
Net fee and commission income	486	672	105	262	325	307	390	6	49	2,602
Net trading income	360	539	96	94	205	36	4	5	138	1,477
Result from financial transactions	54	40	(18)	4	(13)	3	1	250	—	321
Share of result in equity accounted investments . .	16	—	—	36	44	1	—	—	27	124
Other operating income . . .	68	47	15	26	29	30	31	21	221	488
Income of consolidated private equity holdings . .	—	—	—	—	—	—	—	2,634	—	2,634
Operating income	2,593	2,065	247	1,899	872	634	416	2,767	464	11,957
Operating expenses⁽¹⁾	1,767	1,829	370	1,129	652	455	269	2,514	225	9,210
Loan impairment and other credit risk provisions . . .	176	55	(17)	381	85	10	—	20	10	720
Total expenses	1,943	1,884	353	1,510	737	465	269	2,534	235	9,930
Operating profit before taxes	650	181	(106)	389	135	169	147	233	229	2,027
Income tax expense	146	156	(132)	85	48	48	39	5	(47)	348
Profit from continuing operations	504	25	26	304	87	121	108	228	276	1,679
Profit from discontinued operations net of tax . . .	91	—	518	—	—	—	—	—	(36)	573
Profit for the period	595	25	544	304	87	121	108	228	240	2,252

Note:

- (1) The operating expenses in BU North America include an amount of EUR 73 million of global overhead costs allocated to LaSalle, but not considered discontinued.

Business segment information—for the three months ended 30 June 2007

	Netherlands	Europe	North America	Latin America	Asia	Private Clients	Asset Management	Private Equity	Group Functions	Total Group
Net interest income	892	476	56	918	185	123	(3)	(84)	(207)	2,356
Net fee and commission income	242	265	51	111	290	175	241	—	129	1,504
Net trading income	170	553	49	28	159	17	(1)	1	(37)	939
Result from financial transactions	(2)	19	26	152	(21)	3	14	168	(45)	314
Share of result in equity accounted investments . .	8	3	—	12	17	—	2	8	20	70
Other operating income . . .	31	21	2	16	(4)	96	1	3	—	166
Income of consolidated private equity holdings . .	—	—	—	—	—	—	—	1,390	—	1,390
Operating income	1,341	1,337	184	1,237	626	414	254	1,486	(140)	6,739
Operating expenses⁽¹⁾	902	991	192	650	412	233	165	1,307	194	5,046
Loan impairment and other credit risk provisions . . .	101	92	(2)	246	56	—	—	—	(10)	483
Total expenses	1,003	1,083	190	896	468	233	165	1,307	184	5,529
Operating profit before taxes	338	254	(6)	341	158	181	89	179	(324)	1,210
Income tax expense	69	82	(25)	136	41	31	21	3	(94)	264
Profit from continuing operations	269	172	19	205	117	150	68	176	(230)	946
Profit from discontinued operations net of tax . . .	2	—	197	—	—	—	—	—	11	210
Profit for the period	271	172	216	205	117	150	68	176	(219)	1,156

Note:

- (1) The operating expenses in BU North America and in BU Group Functions include an amount of EUR 56 million and EUR (12) million respectively of global overhead costs allocated to LaSalle, but not considered discontinued.

Business segment information—for the three months ended 30 June 2006

	Netherlands	Europe	North America	Latin America	Asia	Private Clients	Asset Management	Private Equity	Group Functions	Total Group
Net interest income	812	399	55	741	135	128	(6)	(80)	(18)	2,166
Net fee and commission income	216	386	63	111	158	146	210	(1)	21	1,310
Net trading income	184	150	62	81	102	27	—	(11)	59	654
Result from financial transactions	54	72	(7)	(36)	7	(1)	—	155	(14)	230
Share of result in equity accounted investments . .	8	—	—	23	22	1	—	—	20	74
Other operating income . . .	36	20	5	14	13	13	2	17	213	333
Income of consolidated private equity holdings . .	—	—	—	—	—	—	—	1,388	—	1,388
Operating income	1,310	1,027	178	934	437	314	206	1,468	281	6,155
Operating expenses⁽¹⁾	917	964	211	559	320	226	137	1,320	118	4,772
Loan impairment and other credit risk provisions . . .	91	23	6	208	49	9	—	5	9	400
Total expenses	1,008	987	217	767	369	235	137	1,325	127	5,172
Operating profit before taxes	302	40	(39)	167	68	79	69	143	154	983
Income tax expense	62	86	(80)	(5)	25	23	23	7	(71)	70
Profit from continuing operations	240	(46)	41	172	43	56	46	136	225	913
Profit from discontinued operations net of tax . . .	41	—	273	—	—	—	—	—	(13)	301
Profit for the period	281	(46)	314	172	43	56	46	136	212	1,214

Note:

- (1) The operating expenses in BU North America include an amount of EUR 36 million of global overhead costs allocated to LaSalle, but not considered discontinued.

4 Net interest income

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Interest income	15,437	13,560	7,893	6,827
Interest expense	10,843	9,249	5,537	4,661
Total	4,594	4,311	2,356	2,166

Interest income and interest expense no longer includes interest on the trading book as well as the associated interest on funding. The 2006 comparatives have been reclassified accordingly.

5 Net fee and commission income

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Fee and commission income				
Securities brokerage fees	768	944	411	456
Payment and transaction services fees	974	909	508	443
Asset management and trust fees	784	697	415	358
Fees generated on financing arrangements	170	102	101	65
Advisory fees	305	190	168	98
Insurance-related commissions	85	76	41	35
Guarantee fees	106	97	55	48
Other fees and commissions	261	136	138	93
Subtotal	3,453	3,151	1,837	1,596
Fee and commission expense				
Securities brokerage fees	41	200	19	103
Payment and transaction services fees	166	135	87	71
Asset management and trust fees	75	76	53	39
Other fees and commissions	299	138	174	73
Subtotal	581	549	333	286
Total	2,872	2,602	1,504	1,310

The decline in securities brokerage fees mainly results from the sale of the futures business in the second half 2006.

6 Net trading income

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Interest instruments trading	556	598	265	186
Foreign exchange trading	404	347	168	231
Equity and commodity trading	980	532	506	237
Total	1,940	1,477	939	654

7 Results from financial transactions

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Net gain from the disposal of available-for-sale debt securities	317	92	196	38
Net gain from the sale of available-for-sale equity investments	65	43	59	41
Dividend on available-for-sale equity investments	18	22	11	18
Net gain on other equity investments	387	273	179	203
Hedging ineffectiveness	20	65	4	30
Other	(140)	(174)	(135)	(100)
Total	667	321	314	230

The net gain on other equity investments includes gains and losses arising on investments held at fair value and the result on the sale of consolidated holdings of a private equity nature. In the second quarter of 2007 a gain of EUR 108 million was recognised as a result of the change of control of certain private equity investments (refer to note 2—Developments—for more details on this transaction).

8 Other operating income

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Insurance activities	54	54	21	28
Leasing activities	33	25	17	12
Net income on disposal of operating activities and equity accounted investments	82	248	78	208
Other	125	161	50	85
Total	294	488	166	333

In the second quarter of 2007 a gain of EUR 77 million was recognised in the line Net income on disposal of operating activities and equity accounted investments relating to the sale of Private Banking operations in Miami and Montevideo (refer to note 2—Developments—of this interim financial report). In the second quarter of 2006 the profit recorded on the sale of K&H Bank to KBC Bank of EUR 208 million was recorded in this line.

9 Personnel expenses

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Salaries (including bonuses and allowances)	3,253	2,682	1,639	1,295
Social security expenses	405	372	221	205
Other employee costs	623	542	323	343
Total	4,281	3,596	2,183	1,843

The increase in personnel expenses in the first half of 2007 is mainly caused by an increase in performance related bonuses compared to the comparable period in 2006.

10 Income tax expense

The effective tax rate on operating profit from continuing operations for the first half year 2007 is 20.7 per cent. compared to a nominal tax rate in the Netherlands of 25.5 per cent. Over the full year 2006 the effective tax rate was 17.7 per cent.

The effective tax rate on the Group's profit before tax differs from the nominal tax charge in the Netherlands. The reasons for the deviation in the first half year of 2007 are mainly tax credits received by the Group and tax-exempt gains. The effective tax rate in the first half year of 2007 is higher than over the full year 2006 as a result of relatively higher tax credits and higher tax-exempt income over the full year 2006 compared to the first half year of 2007.

11 Profit from discontinued operations net of tax and assets and liabilities of businesses held for sale

On 22 April 2007, ABN AMRO entered into an agreement to sell ABN AMRO North America Holding Company, which principally consists of the retail and commercial banking activities of LaSalle Bank Corporation ("LaSalle") to Bank of America. ABN AMRO's North American Asset Management businesses and certain businesses within ABN AMRO's North American Global Markets and Global Clients operations do not form part of the sale. The sale is expected to close in the fourth quarter of 2007. The results of the business under the sale agreement are presented as profit from discontinued operations net of tax. The relating assets and liabilities have been presented as assets and liabilities of businesses held for sale as of this quarter.

Also the results of the national residential mortgage line of business (ABN AMRO Mortgage Group, Inc.), a subsidiary of ABN AMRO LaSalle Bank Midwest are presented as discontinued operations. The sale transaction closed on 28 February 2007.

The comparatives of 2006 furthermore include ABN AMRO Mortgage Group, Inc. and Bouwfonds non-mortgage.

Income statement of discontinued operations:

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Operating income	1,688	2,023	835	1,011
Operating expenses	970	1,217	496	601
Loan impairment and other credit risk provisions	45	41	31	30
Operating profit before tax	673	765	308	380
Gain recognised on disposal	147	—	(7)	—
Profit from discontinued operations before tax	820	765	301	380
Income tax expense on operating profit	212	192	94	79
Income tax expense on gain on disposal	54	—	(3)	—
Profit from discontinued operations net of tax	554	573	210	301

The operating expenses relating to LaSalle as included in the table above and below have been adjusted for the certain global overhead charges from the Group to LaSalle that are considered to be fixed in the short run. Despite the sale of LaSalle the Group will remain to incur these costs. These global overhead charges have as a result been presented as operating expenses from continuing operations. For the year-to-date 2007 period the amount is EUR 75 million and for the comparative period in 2006 the amount is EUR 73 million. The amount for the second quarter of 2007 is EUR 44 million and for the comparative period in 2006 EUR 36 million.

The table below provides a further breakdown of the operating result and gain on disposal of discontinued operations. In our segment disclosure note the ABN AMRO Mortgage Group, Inc. results

are included in BU North America. The LaSalle results are included in BU North America and BU Group Functions and the Bouwfonds non-mortgage results are included in BU Netherlands.

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
LaSalle				
Operating income	1,617	1,559	835	770
Operating expenses	928	941	498	457
Loan impairment and other credit risk provisions	45	39	31	31
Operating profit before tax	644	579	306	282
Gain recognised on disposal	—	—	—	—
Profit from discontinued operations before tax	644	579	306	282
Income tax expense on operating profit	202	131	94	44
Income tax expense on gain on disposal	—	—	—	—
Profit from discontinued operations net of tax	442	448	212	238
Bouwfonds non-mortgage				
Operating income	—	290	—	145
Operating expenses	(2)	154	(2)	84
Loan impairment and other credit risk provisions	—	2	—	(1)
Operating profit before tax	2	134	2	62
Gain recognised on disposal	—	—	—	—
Profit from discontinued operations before tax	2	134	2	62
Income tax expense on operating profit	—	43	—	21
Income tax expense on gain on disposal	—	—	—	—
Profit from discontinued operations net of tax	2	91	2	41
ABN AMRO Mortgage Group Inc.				
Operating income	71	174	—	96
Operating expenses	44	122	—	60
Loan impairment and other credit risk provisions	—	2	—	—
Operating profit before tax	27	52	—	36
Gain recognised on disposal	147	—	(7)	—
Profit from discontinued operations before tax	174	52	(7)	36
Income tax expense on operating profit	10	18	—	14
Income tax expense on gain on disposal	54	—	(3)	—
Profit from discontinued operations net of tax	110	34	(4)	22
Total profit from discontinued operation net of tax	554	573	210	301

The major classes of assets and liabilities classified as held for sale are as follows:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Assets		
Cash and balances with central banks	1,193	14
Financial assets held for trading	1,199	104
Financial investments	22,991	132
Loans and receivables — banks	1,584	53
Loans and receivables — customers	48,723	4,532
Property and equipment	2,447	1,012
Goodwill and other intangible assets	50	2,449
Accrued income and prepaid expenses	465	62
Other assets	5,790	3,492
Assets of businesses held for sale	<u>84,442</u>	<u>11,850</u>
Liabilities		
Financial liabilities held for trading	195	—
Due to banks	10,029	973
Due to customers	46,457	2,397
Issued debt securities	16,860	—
Provisions	122	22
Accrued expenses and deferred income	858	71
Other liabilities	1,859	244
Subordinated liabilities	4,000	—
Liabilities of businesses held for sale	<u>80,380</u>	<u>3,707</u>
Net assets directly associated with disposal businesses	<u>4,062</u>	<u>8,143</u>

At 30 June 2007 these balances mainly consist of LaSalle. At 31 December 2006 these balances mainly consisted of ABN AMRO Mortgage Group, Inc.

12 Earnings per share

The calculations for basic and diluted earnings per share are presented in the following table.

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Profit for the period attributable to shareholders of the parent company	2,165	2,219	1,130	1,216
Profit from continuing operations attributable to shareholders of the parent company	1,618	1,658	923	920
Profit from discontinued operations attributable to shareholders of the parent company	547	561	207	296
Weighted average number of ordinary shares outstanding (in millions)	1,854.8	1,877.6		
Dilutive effect of staff options (in millions)	11.4	8.3		
Conditional share awards (in millions)	7.3	1.9		
Diluted number of ordinary shares (in millions) .	1,873.5	1,887.8		
From continuing operations				
Basic earnings per ordinary share (in euros) . .	0.87	0.88	0.50	0.49
Fully diluted earnings per ordinary share (in euros)	0.86	0.88	0.50	0.49
From continuing and discontinued operations				
Basic earnings per ordinary share (in euros) . .	1.17	1.18	0.61	0.65
Fully diluted earnings per ordinary share (in euros)	1.16	1.18	0.61	0.64
Number of ordinary shares outstanding (in millions)	1,855.4	1,892.0		
Net asset value per ordinary share (in euros) . .	13.30	12.13		
Number of preference shares outstanding (in millions)	1,369.8	1,369.8		
Return on average shareholders' equity (in %) .	17.8%	19.7%		

In the return on average shareholders' equity the average shareholders' equity is determined excluding net unrealised gains/losses on available-for-sale assets and cash flow hedging reserve not recognised in the income statement.

13 Financial assets and liabilities held for trading

	30 June 2007	31 December 2006
Financial assets held for trading		
Interest-earning securities	75,458	60,290
Equity instruments	53,107	40,112
Derivative financial instruments	120,360	105,334
Total	248,925	205,736
Financial liabilities held for trading		
Short positions in financial assets	42,233	45,861
Derivative financial instruments	117,476	99,503
Total	159,709	145,364

14 Financial investments

	30 June 2007	31 December 2006
Interest-earning securities available-for-sale	94,406	117,558
Interest-earning securities held-to-maturity	2,775	3,729
Equity investments available-for-sale	1,269	1,866
Equity investments designated at fair value through income	3,251	2,228
Total	<u>101,701</u>	<u>125,381</u>

15 Loans and receivables – banks

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

	30 June 2007	31 December 2006
Current accounts	11,257	9,473
Time deposits placed	12,036	15,396
Professional securities transactions	155,684	105,969
Loans to banks	4,364	3,986
Subtotal	183,341	134,824
Allowances for impairment ⁽¹⁷⁾	(3)	(5)
Total	<u>183,338</u>	<u>134,819</u>

The movements during the year are mainly due to an increase in professional securities transactions in the UK.

16 Loans and receivables – customers

This item is comprised of amounts receivable, regarding loans and mortgages balances with non-bank customers.

	30 June 2007	31 December 2006
Public sector	6,179	11,567
Commercial	162,420	180,262
Consumer	125,056	135,484
Professional securities transactions	119,387	93,716
Multi-seller conduits	32,612	25,872
Subtotal	445,654	446,901
Allowances for impairment ⁽¹⁷⁾	(3,750)	(3,646)
Total	<u>441,904</u>	<u>443,255</u>

The amount receivable held by multi-seller conduits is typically collateralised by a pool of customer receivables in excess of the amount advanced, such that the resulting credit risk is mitigated.

17 Loan impairment charges and allowances

	<u>2007</u>
Balance at 1 January	3,651
Loan impairment charges:	
New impairment allowances	1,254
Reversal of impairment allowances no longer required	(241)
Recoveries of amounts previously written off	(127)
Total loan impairment and other credit risk provisions	886
Amount recorded in interest income from unwinding of discounting	(17)
Currency translation differences	54
Amounts written off (net)	(631)
Disposals of businesses and discontinued operations	(230)
Unearned interest accrued on impaired loans	40
Balance at 30 June	<u><u>3,753</u></u>

All loans are assessed for potential impairment either individually and/or on a portfolio basis. The allowance for impairment is apportioned as follows:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Commercial loans	2,470	2,344
Consumer loans	1,280	1,302
Loans to banks		5
Total	<u><u>3,753</u></u>	<u><u>3,651</u></u>

18 Equity accounted investments

	<u>30 June 2007</u>	<u>31 December 2006</u>
Banking institutions	1,488	1,436
Other activities	103	91
Total	<u><u>1,591</u></u>	<u><u>1,527</u></u>

	<u>2007</u>
Balance at 1 January	1,527
Movements:	
Purchases	25
Reclassifications	(23)
Sales	(1)
Share in results	139
Dividends received	(49)
Currency translation differences	(3)
Other	(24)
Balance at 30 June	<u><u>1,591</u></u>

19 Goodwill and other intangible assets

	30 June 2007	31 December 2006
Goodwill	4,946	4,714
Goodwill of private equity	287	2,436
Software	945	959
Other intangibles	962	1,298
Total	7,140	9,407

Compared to 31 December 2006 goodwill increased by EUR 232 million. EUR 163 million is attributable to the acquisition of Prime Bank Ltd (Pakistan) on 5 April 2007 (see note 2—*Developments*) and EUR 63 million to the acquisition of the remaining outstanding shares (5.42 per cent.) in Banco Sudameris Brasil S.A. by Banco Real on 13 March 2007.

The decrease of goodwill of private equity investments by EUR 2.1 billion is a result of the deconsolidation of private equity investments (refer to note 2 of this interim financial report).

Impairment testing of goodwill

Goodwill has been allocated for impairment testing purposes to individual cash-generating units within the business. Within the €5,233 million total carrying amount of goodwill and goodwill of private equity, €4,399 million of goodwill allocated to the Antonveneta cash-generating unit is the only significant individual carrying amount. The remaining €834 million of goodwill is allocated across multiple cash-generating units whose recoverable amounts are assessed independently of one another.

During the second quarter of 2007, we identified that the half-year financial performance of the Antonveneta cash-generating unit was lower than previously forecasted. We considered the reduced financial performance an indicator of goodwill impairment and therefore tested the goodwill attributable to the Antonveneta cash-generating unit for impairment.

In an impairment test, it is assessed whether the recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and the cash-generating unit's value in use. The higher recoverable amount of Antonveneta at 30 June 2007 is the fair value less cost to sell. As there is no observable market price for the Antonveneta cash-generating unit, fair value has been estimated using an earnings multiple approach. This approach multiplies a current best estimate of forecasted earnings by a price-earnings ratio. Our approach multiples Antonveneta's forecasted net profit figure for 2007 by the average applicable earnings multiple of observed transactions within the Italian banking market during the past two years.

Management's test resulted in the recoverable amount of Antonveneta marginally exceeding the carrying amount. As a result no impairment charge was recorded. The outcome of the impairment test is sensitive to both the earnings multiplier and the forecasted earnings itself.

20 Issued debt securities

	30 June 2007	31 December 2006
Bonds and notes issued	114,139	117,122
Certificates of deposit and commercial paper	42,568	56,375
Cash notes, savings certificates and bank certificates	1,841	2,269
Subtotal	158,548	175,766
Commercial paper issued by multi-seller conduits	32,612	26,280
Total	191,160	202,046

21 Subordinated liabilities

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of, respectively, ABN AMRO Holding N.V, ABN AMRO Bank N.V. and other

Group companies. These liabilities qualify as capital, taking into account remaining maturities, for the purpose of determining the consolidated capital adequacy ratio for the Dutch central bank.

The maturity profile of subordinated liabilities is as follows:

	30 June 2007	31 December 2006
Within one year	1,057	1,372
After one and within two years	1,556	1,833
After two and within three years	1,471	3,496
After three and within four years	779	1,323
After four and within five years	23	937
After five years	9,821	10,252
Total	14,707	19,213

Total subordinated liabilities include EUR 2,027 million (December 2006: EUR 6,122 million) which qualify as tier 1 capital for capital adequacy purposes. Another EUR 4,000 million of subordinated liabilities which also qualify as tier 1 capital is presented as liabilities of businesses held for sale in connection with the sale agreement of LaSalle.

22 Commitments and contingent liabilities

Loan and banking commitments

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts for commitments are presented on a fully advanced basis. Guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

	30 June 2007	31 December 2006
Contingent liabilities with respect to guarantees granted	51,925	46,026
Contingent liabilities with respect to irrevocable letters of credit	5,689	5,253
Committed credit facilities	151,607	145,418

Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Other contingencies

Legal proceedings have been initiated against the Group in a number of jurisdictions, but on the basis of information currently available, and having taken legal counsel, the Group is of the opinion that the outcome of these proceedings net of any related insurance claims is unlikely to have a material adverse effect on the consolidated financial position and the consolidated profit of the Group.

23 Capital adequacy

To monitor the adequacy of capital the Group uses ratios established by the Bank for International Settlements (BIS). These ratios measure capital adequacy (minimum 8 per cent. as required by BIS) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities primarily in the trading book. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them.

Tier 1 capital consists of shareholders' equity and qualifying subordinated liabilities less goodwill and some intangible assets. Tier 2 capital represents additional qualifying subordinated liabilities, taking into account the remaining maturities. Core tier 1 capital is tier 1 capital excluding preference shares.

The Group's capital adequacy level was as follows:

	Balance sheet/ unweighted amount		Risk weighted amount, including effect of contractual netting	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Balance sheet assets (net of provisions):				
Cash and balances at central banks	14,485	12,317	504	296
Financial assets held for trading	248,925	205,736	—	—
Financial investments	101,701	125,381	9,237	14,142
Loans and receivables — banks	183,338	134,819	7,978	7,215
Loans and receivables — customers	441,904	443,255	141,468	161,584
Equity accounted investments	1,591	1,527	988	943
Property and equipment	3,798	6,270	3,519	4,419
Goodwill and other intangible assets	7,140	9,407	1,196	2,801
Assets of businesses held for sale	84,442	11,850	48,237	6,978
Accrued income and prepaid expenses	9,822	9,290	3,800	3,794
Other assets	22,913	27,212	3,627	6,776
(Sub)total	<u>1,120,059</u>	<u>987,064</u>	<u>220,554</u>	<u>208,948</u>
Off-balance sheet positions and derivatives:				
Credit-related commitments and contingencies	209,221	196,697	53,050	53,336
Credit equivalent of derivatives			15,606	13,960
Insurance companies and other			416	379
Subtotal			<u>69,072</u>	<u>67,675</u>
Total credit risks			289,626	276,623
Market risk requirements			4,699	4,081
Total risk-weighted assets			<u>294,325</u>	<u>280,704</u>

The following table compares actual capital with that required for supervisory purposes.

	30 June 2007		31 December 2006	
	Required	Actual	Required	Actual
Total capital	23,546	30,959	22,457	31,275
Total capital ratio	8.0%	10.52%	8.0%	11.14%
Tier 1 capital	11,773	24,037	11,228	23,720
Tier 1 capital ratio	4.0%	8.17%	4.0%	8.45%
Core tier 1	—	18,010	—	17,336
Core tier 1 ratio	—	6.12%	—	6.18%

24 Private equity investments

Private equity investments are either consolidated or held at fair value.

Consolidated private equity holdings

Investments of a private equity nature that are controlled by the Group are consolidated. Such holdings represent a wide range of non-banking activities. Personnel and other costs relating to production and manufacturing activities are presented within goods and material expenses of consolidated private equity holdings. The impact of consolidating on the income statement these investments is set out in the table below. The results of operations from the investments, deconsolidated on 30 June 2007, have continued to be included in the results of operations in this quarter and the transaction as described in

Note 2 of this interim financial report will impact the consolidated income statement as of the next quarter.

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
Income of consolidated private equity holdings	2,783	2,634	1,390	1,388
Other income included in operating income	(174)	(161)	(85)	(78)
Total operating income of consolidated private equity holdings	<u>2,609</u>	<u>2,473</u>	<u>1,305</u>	<u>1,310</u>
Goods and material expenses of consolidated private equity holdings . . .	1,949	1,855	979	1,003
Included in personnel expenses	294	275	142	138
Included in administrative costs	236	232	111	112
Included in depreciation and amortisation	136	103	48	53
Total operating expenses	<u>2,615</u>	<u>2,465</u>	<u>1,280</u>	<u>1,306</u>
Operating profit before tax of consolidated private equity holdings	<u>(6)</u>	<u>8</u>	<u>25</u>	<u>4</u>

The assets and liabilities of these consolidated holdings are included in the Group balance sheet. Given the non-banking nature of the underlying activities the main lines impacted are goodwill, property and equipment, other assets and issued debt securities. The total assets of the remaining consolidated entities at 30 June 2007 were EUR 1,700 million (31 December 2006: EUR 4,537 million) excluding goodwill.

25 Subsequent events

ABN AMRO Mellon Global Securities Services

On 5 July 2007, Mellon Bank N.A. has agreed to purchase ABN AMRO's 50 per cent. share in ABN AMRO Mellon Global Securities Services B.V., the joint venture company established by the shareholders in 2003 to provide global custody and related services to institutions outside North America. The transaction, which is subject to certain conditions including regulatory and other approvals, is expected to close during the third quarter 2007. After the close ABN AMRO Mellon will become part of The Bank of New York Company and Mellon Financial Corporation. ABN AMRO Mellon is presented as held for sale in the balance sheet.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Supervisory Board and Managing Board of ABN AMRO Holding N.V.

Introduction

We have reviewed the accompanying condensed interim financial report consisting of the consolidated balance sheet of ABN AMRO Holding N.V., Amsterdam, The Netherlands (the “Company”) as at 30 June 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the three- and six-month period then ended and condensed explanatory notes (as set out in Annex 3, further referred to as interim financial report). Company’s management is responsible for the preparation and fair presentation of this interim financial report accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union (“IAS 34”). Our responsibility is to express a conclusion on this interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report is not prepared, in all material respects, in accordance with IAS 34.

Amsterdam, 30 July 2007

for Ernst & Young Accountants

Signed J.J. Nooitgedagt

PART V

ADDITIONAL INFORMATION

1 Persons Responsible

The RBS Directors, whose names appear below, and RBS accept responsibility for the information contained in this document. To the best of the knowledge and belief of the RBS Directors and RBS (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Information Provided by ABN AMRO

RBS confirms that the information relating to ABN AMRO, which has been sourced from information published by ABN AMRO, has been accurately reproduced from those sources and, as far as RBS is aware and is able to ascertain from information published by ABN AMRO, no facts have been omitted which would render the reproduced information inaccurate or misleading.

3 Directors of RBS

The Directors and their respective roles are:

Sir Tom McKillop	<i>(Chairman)</i>
Sir Fred Goodwin	<i>(Group Chief Executive)</i>
Guy Whittaker	<i>(Group Finance Director)</i>
Johnny Cameron	<i>(Chief Executive, Corporate Markets)</i>
Lawrence Fish	<i>(Chairman, Citizens Financial Group, Inc.)</i>
Mark Fisher	<i>(Chief Executive, Manufacturing)</i>
Gordon Pell	<i>(Chief Executive, Retail Markets)</i>
Colin Buchan	<i>(Non-Executive Director)</i>
Jim Currie	<i>(Non-Executive Director)</i>
Bill Friedrich	<i>(Non-Executive Director)</i>
Archie Hunter	<i>(Non-Executive Director)</i>
Charles "Bud" Koch	<i>(Non-Executive Director)</i>
Janis Kong	<i>(Non-Executive Director)</i>
Joe MacHale	<i>(Non-Executive Director)</i>
Sir Steve Robson	<i>(Non-Executive Director)</i>
Bob Scott	<i>(Non-Executive Director)</i>
Peter Sutherland	<i>(Non-Executive Director)</i>

all of 36 St Andrew Square, Edinburgh EH2 2YB

Brief biographical details of each of the Directors are set out in paragraph 2 of Part XXIII of the Prospectus.

4 Results of the Banks' Extraordinary General Meetings

At the Extraordinary General Meeting held on 10 August 2007, holders of RBS Ordinary Shares passed the Resolution that was proposed in connection with the Transaction.

At the shareholder meetings of Santander and Fortis held on 27 July 2007 and 6 August 2007, respectively, the shareholders of Santander and Fortis passed each of the resolutions that were proposed in connection with the Transaction.

5 Publication of this document

Prospectus Rule 3.4.1 requires RBS to produce a supplementary prospectus if a "significant new factor" arises during the Offer Period. A "significant new factor" is any information which is required by investors for the purposes of making an informed decision on the Offer. As RBS and ABN AMRO have each published interim results, RBS is obliged to publish this document.

6 Withdrawal rights

6.1 General

In addition to the withdrawal rights that arise under Article 16 of European Directive No. 2003/71/EC (the “**Prospectus Directive**”) in connection with the publication of this document, ABN AMRO Ordinary Shares tendered for exchange into the Offer may be withdrawn at any time prior to the end of the Offer Period (including any extensions thereof). Once the Offer Period has expired, ABN AMRO Shareholders will not be able to withdraw any tendered ABN AMRO Ordinary Shares. This means that holders of ABN AMRO Ordinary Shares will not be able to withdraw any tendered ABN AMRO Ordinary Shares from the end of the Offer Period to the announcement of the results of the Offer, which will occur within five Euronext Amsterdam Trading Days after the expiration of the Offer Period. No withdrawal rights will apply to ABN AMRO Ordinary Shares tendered during the subsequent offering period, if one is provided.

ABN AMRO Shareholders may not rescind a withdrawal. If ABN AMRO Shareholders withdraw tendered ABN AMRO Ordinary Shares, such shares will be deemed not validly tendered for purposes of the Offer. However, holders of ABN AMRO Ordinary Shares may re-tender withdrawn ABN AMRO Ordinary Shares at any time prior to the expiration of the Offer Period or during the subsequent offering period, if one is provided.

6.2 Withdrawal of Tendered ABN AMRO Ordinary Shares

ABN AMRO Ordinary Shareholders who hold their shares through a financial intermediary that is an Admitted Institution and make their acceptance known through their financial intermediary to the Dutch Exchange Agent may withdraw their ABN AMRO Ordinary Shares by making a withdrawal request through their financial intermediary to the Dutch Exchange Agent prior to the end of the Offer Period. Holders of ABN AMRO Ordinary Shares in registered form registered in the name of the relevant holders who tender their ABN AMRO Ordinary Shares in registered form by means of a form of acceptance sent to the Dutch Exchange Agent may withdraw by delivery to and receipt by the Dutch Exchange Agent of a properly completed and duly executed notice of withdrawal prior to the end of the Offer Period.

7 ABN AMRO Current Trading and Prospects

ABN AMRO has made certain statements publicly, based on its management’s estimates, that forecast minimum levels of profitability in future years.

In the press release dated 30 July 2007 relating to the ABN AMRO results for the six months ended 30 June 2007, ABN AMRO stated “We are well on track to deliver an EPS of at least EUR 2.30 on an adjusted basis as the change in the organisational structure implemented in 2006 created the conditions for improvement in our performance.”

These estimates were neither seen nor commented upon by RBS or its advisers in advance of their preparation and no reliance should be placed on them. The estimates do not necessarily reflect the Directors’ view of ABN AMRO’s prospects and financial performance nor the prospects and financial performance of the Enlarged Group. The financial projections should not be regarded as a reliable indicator of ABN AMRO’s future operating results nor the operating results of the Enlarged Group and they should not be relied upon as such.

None of RBS or its financial advisers or any other party accepts responsibility for the accuracy, reasonableness, validity or completeness of the financial projections or the estimates and assumptions that underlie them.

None of the financial projections was intended for publication by RBS and should not be regarded as a forecast of profits by RBS, ABN AMRO or any of their respective directors and accordingly have not been prepared or reviewed to a standard to which published projections would be prepared and reviewed. Shareholders should not rely upon any of the financial projections in making any decision about an investment in RBS or ABN AMRO.

8 Documents Available for Inspection

In addition to the documents set out in paragraph 19 of Part XXIV of the Prospectus, this document will also be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this document until Admission at:

- (i) RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ; and
- (ii) the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ.

Dated 14 August 2007

DEFINITIONS

The definitions set out on pages 184 to 189 of the Prospectus shall, unless the context requires otherwise, bear the same meaning in this document. The following additional definitions apply throughout this document unless the context requires otherwise:

Prospectus	the prospectus dated 20 July 2007, comprising a prospectus relating to the New RBS Ordinary Shares to be issued pursuant to the Offer, prepared in accordance with the Prospectus Rules
Restricted Jurisdiction	Australia and Japan, and any other jurisdiction where the extension of availability of the Offers would breach any applicable law
Supplementary Prospectus	this document

