BASE PROSPECTUS

Banco ABN AMRO Real S.A.
ABN AMRO Arrendamento Mercantil S.A.

(EACH INCORPORATED WITH LIMITED LIABILITY UNDER THE LAWS OF THE FEDERATIVE REPUBLIC OF BRAZIL)

Banco ABN AMRO Real S.A., Grand Cayman Branch
U.S.$3,000,000,000
Medium-Term Note Programme

Banco ABN AMRO Real S.A. (the "Bank") or ABN AMRO Arrendamento Mercantil S.A. ("ABN AMRO Leasing") or Banco ABN AMRO Real S.A., Grand Cayman Branch ("ABN AMRO Cayman"), in each case, as specified in the Final Terms (defined below) relating thereto, may from time to time issue medium-term notes (the "Notes") denominated in such currencies as may be agreed between the Issuer (defined below) and the Dealers (as defined in "Subscription and Sale") appointed in connection with the Medium-Term Note Programme (the "MTN Programme"). The Notes will have maturities of seven days to thirty years from the date of issue, subject to all applicable legal and regulatory requirements.

In this Base Prospectus, which for the purposes of the Dutch market is considered a Prospectus, references to the "Issuers" shall be to the Bank, ABN AMRO Leasing and ABN AMRO Cayman and to the "Issuer" in relation to any Notes shall be to whichever of the Bank, ABN AMRO Leasing or ABN AMRO Cayman, as the case may be, is specified in the Final Terms (defined below) relating to such Notes as being the issuer of such Notes.

Notes will be issued in series (each, a "Series") having the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical. Each Series may be issued in one or more tranches (each, a "Tranche") on different issue dates. The final terms applicable to each Tranche will be specified in a supplement to this document (the "Final Terms").

Application has been made to Euronext Amsterdam N.V. for Notes issued under the Programme up to the expiry of 12 months after the publication (*verkrijgbaarstelling*) of this Base Prospectus to be admitted to trading on Eurolist by Euronext Amsterdam N.V. ("Euronext Amsterdam"). However, Notes may be issued pursuant to the Programme which will not be listed on Euronext Amsterdam (or any other stock exchange), and the relevant Final Terms will specify whether or not Notes of the relevant Series will be listed on Euronext Amsterdam (or any other stock exchange). This Base Prospectus replaces the information memorandum dated 2 August 2005 in relation to the Programme.

This Base Prospectus constitutes a base prospectus within the meaning of the Prospectus Directive (Directive 2003/71/EC) the "Prospectus Directive"). This Base Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markte*, the "AFM") as the competent authority in the Issuers' home Member State pursuant to the Prospectus Directive. For purposes of the Prospectus Directive, this Base Prospectus is valid for one year after its publication (*verkrijgbaarstelling*).

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN THE CASE OF REGISTERED NOTES TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT. THE NOTES ALSO MAY BE OFFERED, SOLD AND DELIVERED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OF REGULATION S UNDER THE SECURITIES ACT.

Subject as set out herein the maximum aggregate principal amount of the Notes issued under the MTN Programme outstanding at any one time will not exceed U.S.$3,000,000,000 (or its equivalent in other currencies at the time of agreement to issue).

Arranger and Dealer

ABN AMRO

20 March 2007

The Issuers alone are responsible for the accuracy and completeness of the information in the Base Prospectus. Each of the Issuers accepts responsibility accordingly. To the best of the knowledge and belief of each of the Issuers (which have taken all reasonable care to ensure that such is the case), the information contained in the Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Dealers have not separately verified any of the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers, in their capacity as such, as to the truth, accuracy or completeness of this Base Prospectus or any further information supplied in connection with the Notes.

Certain information on Brazil and the Brazilian banking industry contained in this Base Prospectus is based upon publicly available information which has not been independently verified by the Issuers, and the Issuers do not make any representation or warranty in relation thereto, except that the Issuers accept responsibility for its correct extraction and reproduction.

No person has been authorised to give any information or to make any representation not contained in or consistent with this Base Prospectus, any Base Prospectus Supplement or any Final Terms and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers or the Dealers.

The delivery of this Base Prospectus, any Base Prospectus Supplement or any Final Terms, or the offering, sale and delivery of any Note shall not, under any circumstances, create any implication that the information contained herein is correct at any time after the date hereof or that there has been no change in the financial condition and affairs of the Issuers since the date hereof. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus. Each recipient shall be deemed to have made its own investigation and appraisal of the Issuers, and investors should review, inter alia, the most recently published financial statements of the Issuers when evaluating the Notes.

Neither this Base Prospectus, any Base Prospectus Supplement nor any Final Terms, or any information contained herein or therein, is intended to constitute an offer or an invitation to subscribe for or purchase any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, and should not be considered as a recommendation by the Issuers or any of the Dealers that any recipient of this Base Prospectus, such Base Prospectus Supplement or such Final Terms should subscribe for or purchase any Notes.

The distribution of this Base Prospectus, any Base Prospectus Supplement and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Prospectus and other offering material related to the Notes, see "Subscription and Sale" and "Transfer Restrictions".

Each of the Issuers may agree with any Dealer that Notes may be issued in a form not contemplated by the Final Terms of the Notes, in which event a Drawdown Prospectus (as defined in the Dealership Agreement), if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes and which shall include all information incorporated therein by reference and the Final Terms for such Notes.

The Notes have not been and will not be registered under the Securities Act and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

None of this Base Prospectus, any Base Prospectus Supplement or any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Each purchaser of Registered Notes which bear a restrictive legend that is a U.S. person, will be deemed to (a) represent and warrant that it is purchasing the Notes for its own account or for the benefit of an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer (as defined in Rule 144A under the Securities Act ("Rule 144A")) (a "Qualified Institutional Buyer") and that the Notes are being sold to it in reliance on Rule 144A and (b) acknowledge that the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (i) if in the United States, in compliance with Rule 144A to a person whom the seller reasonably believes is a Qualified Institutional Buyer or (ii) if in the United States, pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available and upon delivery of an opinion of counsel in form and substance satisfactory to the Issuer and the Registrar) or (iii) if outside the United States, in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act ("Regulation S"). Each purchaser of Notes offered and sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Notes with a view to the resale, distribution or other disposition thereof to, or for the account or benefit of, a U.S. person or within the United States. Except as otherwise indicated, terms used in this paragraph have the meanings given to them by Regulation S. For a description of these and certain further restrictions on offers, sales and deliveries of the Notes, and the distribution of this Base Prospectus, see "Subscription and Sale" below.

Notice to New Hampshire residents: Neither the fact that a Registration Statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Uniform Securities Act ("RSA") with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes, for so long as any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the relevant Issuer will furnish upon the request of a holder of a Note or of a beneficial owner of an interest therein to such holder or beneficial owner, or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and otherwise will comply with the requirements of Rule 144A(d)(4), if at the time of such request the relevant Issuer, is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from the information furnishing requirements of Rule 12g3-2(b) thereunder.

The Issuers have given an undertaking in connection with the listing of the Notes on Euronext Amsterdam to the effect that, so long as any Note remains outstanding and listed on such stock exchange, in the event of any material adverse change in the financial condition of the Issuers which is not reflected in the Base Prospectus, the Issuers will prepare a supplement to the Base Prospectus (a "Base Prospectus Supplement") or publish a new Base Prospectus for use in connection with any subsequent issue of Notes to be listed on Euronext Amsterdam. If the terms of the Programme are modified or amended in a manner which would make the Base Prospectus, as supplemented, inaccurate or misleading, a new Base Prospectus will be prepared.

Certain monetary amounts included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures

which precede them. Unless otherwise specified or the context so requires, references to "Dollars", "U.S. Dollars" and "U.S.$" are to United States currency, references to "Real", "Reais" and R$ are to Brazilian currency, references to "pounds sterling", "pounds" or "£" are to United Kingdom currency, references to "Canadian Dollars" and "CAD" are to Canadian currency and references to "EUR" or "euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES (*PROVIDED* THAT, IN THE CASE OF ANY TRANCHE OF NOTES TO BE ADMITTED TO TRADING ON THE EUROLIST BY EURONEXT AMSTERDAM, THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(i) the audited consolidated and unconsolidated annual financial statements of the Bank (including the auditor's report thereon and notes thereto) prepared in accordance with Brazilian GAAP in respect of the years ended 31 December 2006, 2005, 2004 and 2003;

(ii) the audited consolidated and unconsolidated financial statements of the Bank (including the auditor's report thereon and the notes thereto) prepared in accordance with Brazilian GAAP in respect of the six months ended 30 June 2006 and 2005;

(iii) the audited financial statements of ABN AMRO Leasing (including the auditor's report thereon and notes thereto) prepared in accordance with Brazilian GAAP in respect of the years ended 31 December 2006, 2005, 2004, and 2003; and

(iv) the audited financial statements of ABN AMRO Leasing (including the auditor's report thereon and the notes thereto) prepared in accordance with Brazilian GAAP in respect of the six months ended 30 June 2006 and 2005.

Copies of the documents specified above containing information incorporated by reference in this Base Prospectus may be inspected free of charge at the specified offices of JPMorgan Chase Bank, N.A., London Branch, J.P. Morgan Trust Bank Limited and ABN AMRO Bank N.V. (the "Paying Agents") appointed in relation to the Programme, provide, without charge, upon the oral or written request of any person, a copy of any or all of the documents incorporated herein by reference. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

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This Base Prospectus comprises two parts, Parts A and B which, together with any amendment or supplement to any one of such Parts, should be read as one document (the "Base Prospectus"). In relation to any offering of Notes, this Base Prospectus should be read and construed together with the relevant Final Terms prepared in connection with the offering of such Notes. See Part B for the business descriptions of Banco ABN AMRO Real S.A., ABN AMRO Arrendamento Mercantil S.A. and Banco ABN AMRO Real S.A., Grand Cayman Branch.

PART A

SUMMARY OF THE MEDIUM-TERM NOTE PROGRAMME

This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference. No civil liability attaches to any of the Issuers in any Member State of the European Economic Area which has implemented the Prospectus Directive solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

The following is a brief summary only and should be read in conjunction with the remainder of this document and, in relation to any Series of Notes, in conjunction with the relevant Base Prospectus Supplement (if prepared) and Final Terms, which will contain the specific terms of issue of each Series of Notes. Words and expressions defined or used in "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus shall have the same meaning in this summary.

Issuers:	Banco ABN AMRO Real S.A. or ABN AMRO Arrendamento Mercantil S.A. or Banco ABN AMRO Real S.A., Grand Cayman Branch.
Arranger/Dealer:	ABN AMRO Bank N.V.
Programme Amount:	Up to U.S.$3,000,000,000 in aggregate principal amount of Notes from time to time outstanding (or their U.S. Dollar equivalent in other currencies).
Form of Notes:	The Notes of each Series may be issued in bearer form and/or in registered form, as specified in the relevant Final Terms.
Currency:	Notes may be denominated in Canadian Dollars, U.S. Dollars, euro, Real or any other currency, subject to compliance with all applicable legal and/or regulatory requirements.
Issuance in Series:	Notes will be issued in Series with all Notes of each Series subject to such terms, including currency, form, denomination, interest and maturity as are specified in the Final Terms relating thereto. Further Notes may be issued as part of the same Series.

Support Letter:	In connection with the issue of any Notes by ABN AMRO Leasing under the MTN Programme, the Bank has agreed pursuant to the Support Letter (see Part B) to ensure, among other things, that (i) (save in respect of, transfers within the ABN AMRO Group) it does not intend to sell, transfer or otherwise dispose of its shareholding in ABN AMRO Leasing or allow any modification to its 99.99% participation therein, and (ii) its policy is to ensure that ABN AMRO Leasing will have available sufficient liquidity to meet its obligations (subject to prevailing laws and regulations in Brazil). However, the Support Letter is not, by its terms, a guarantee in respect of any Notes, nor does it confer any rights on the holders of any Notes against the Bank. See "Risk Factors—Considerations Relating to ABN AMRO Leasing—Dependence on the Bank" and "ABN AMRO Arrendamento Mercantil S.A.—Support Letter".
Risk Factors:	There are certain factors which may affect on Issuers ability to fulfil its obligations under the Notes issued under the MTN Programme. These are set out under "Risk Factors" below, and include exposure to risks inherent in the business of the relevant Issuer, as well as risks related to the nature of the Notes themselves.
Issue Price:	Notes may be issued at par or at a discount or premium to par.
Maturities:	Notes may have any maturity from seven days to thirty years, as specified in the relevant Final Terms, but subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory requirements. The minimum average life to maturity of Notes issued by the Bank, ABN AMRO Leasing or ABN AMRO Cayman shall be no shorter than the minimum term from time to time specified by the Brazilian Central Bank. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.
Interest:	Notes may be interest-bearing or non-interest bearing or bear interest at a fixed or floating rate or at, or by reference to, such other rate or rates specified in the relevant Final Terms.

Denominations:	No Notes may be issued which have a minimum denomination of less than EUR50,000 (or equivalent in another currency). Subject thereto, Notes in definitive form will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable and/or legal regulatory requirements as of the date of issue of such Notes. Notes in registered form sold pursuant to Rule 144A under the Securities Act (as defined in "Subscription and Sale") shall be issued in minimum denominations of U.S.$100,000 (or its equivalent in any other currency rounded upwards as agreed between the Issuer and the relevant Dealer(s) and as specified in the relevant Final Terms) and higher integral multiples of U.S.$10,000 (or its equivalent as aforesaid).
Negative Pledge:	As more fully set out in Condition 4, so long as any Note remains outstanding (as defined in the Trust Deed), none of the Issuers shall create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any of its Public External Indebtedness or any guarantee of or indemnity in respect of any Public External Indebtedness of any person (without, at the same time or prior thereto and to the satisfaction of the Trustee, securing the Notes equally and rateably therewith or providing such other security for the Notes as the Trustee shall in its absolute discretion deem not materially less beneficial to the Holders of such Notes or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of such Holders). The terms "person", "Public External Indebtedness" and "Security" are each defined in Condition 4.
Status and Ranking:	The Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer which will rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Issuer (save, in each case, for certain exceptions provided by law).
Redemption:	Notes may be redeemable at par or at a premium or discount to par or at such other redemption amount (detailed in a formula or otherwise), and if repayable by instalments, on such dates as may be specified in the relevant Final Terms.
Early Redemption:	Early redemption will be permitted for taxation reasons as mentioned under "Terms and Conditions of the Notes—Redemption and Purchase", but will otherwise be permitted only to the extent specified in the relevant Final Terms.

Taxation:	To the extent provided herein, all payments in respect of Notes will be made without withholding or deduction in respect of any taxes imposed by or in Brazil or the Cayman Islands, unless such withholding or deduction is required by law. In the event that such deductions or withholdings are required, the Issuer shall pay additional amounts so that holders of Notes and Coupons receive such amounts as they would otherwise have received had no withholding or deduction been required, subject to customary exceptions. See "Terms and Conditions of the Notes—Taxation".
Governing Law:	The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.
Listing:	Each Series of Notes may be admitted to the Euronext Amsterdam or such other exchange as may be agreed between the Issuer, the relevant Dealer(s) and the Trustee and as specified in the relevant Final Terms, or may be unlisted.
Terms and Conditions:	The terms and conditions applicable to each Tranche will be as agreed between the Issuer and the relevant Dealer(s) with the prior written approval of the Trustee at or prior to the time of issuance of each Tranche of Notes and will be specified in the relevant Final Terms. The Final Terms will be prepared in respect of each Tranche of Notes. The terms and conditions applicable to each Series of Notes will therefore be those set forth herein, as supplemented, modified or replaced by the relevant Final Terms.
Selling Restrictions:	The selling restrictions applicable to each Series of Notes will be those set forth in "Subscription and Sale", as supplemented, modified or replaced by the relevant Final Terms.
Trustee:	JPMorgan Trustee and Depositary Company Limited
Principal Paying Agent:	J.P. Morgan Trust Bank Limited
Registrar:	JPMorgan Chase Bank, N.A., New York Office
London Paying Agent:	JPMorgan Chase Bank, N.A, London Branch
Paying Agents and Transfer Agents:	ABN AMRO Bank N.V. and JPMorgan Chase Bank, N.A, London Branch
Listing Agent:	ABN AMRO Bank N.V.
Clearing Systems:	Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream, Banking, société anonyme ("Clearstream, Luxembourg"), and/or The Depository Trust Company or any other clearing system as may be specified in the relevant Final Terms.

RISK FACTORS

Prospective purchasers of the Notes should carefully read this Base Prospectus in its entirety. Purchasers should consider, among other things, the risk factors with respect to Brazilian banks and their Cayman Island branches, and leasing companies, and to Brazil, which are not normally associated with investments in securities of United States, European and other similar issuers, including, but not limited to, those principal risks set forth below. Additional risks not presently known to the Bank or that the Bank currently deems immaterial may also impair the Bank's business operations. The risks described below are not the only ones facing the Bank or investments in Brazil in general and the business, financial condition or results of operations of the Bank or its ability to make payments on the Notes could be materially adversely affected by any of these risks.

Risk Factors relating to the Bank and the Banking Industry

Acquisitions

On 5 November 1998, Banco ABN AMRO S.A. ("**Banco ABN AMRO**") indirectly acquired an interest in the voting and non-voting stock of Banco Real S.A. ("**Banco Real**") together with certain Brazilian and non Brazilian affiliates of Banco Real, and acquired management control of Banco Real, its holding companies and its related businesses for an aggregate consideration of approximately U.S.$2.1 billion, subject to certain post-closing adjustments. Banco ABN AMRO subsequently merged with Banco Real, with effect from 28 January 2000, and on 31 March 2000 it changed its name to Banco ABN AMRO Real S.A. and restructured the Banco ABN AMRO Real Group. See "History and Ownership—Acquisition of Banco Real S.A.". Pursuant to the merger, all of the assets and liabilities of Banco Real were transferred to Banco ABN AMRO. Consequently, the Bank became the legal successor of Banco ABN AMRO and Banco Real and carries on the same business as was conducted previously by both Banco ABN AMRO and Banco Real. See "Banco ABN AMRO Real S.A".

On 17 November 1998, the Bank acquired approximately 99.97% of the share capital of BANDEPE (formerly Banco do Estado de Pernambuco S.A.) for a total consideration of R$182,900,476. See "History and Ownership—Acquisition of BANDEPE S.A". BANDEPE is managed by the Bank as a separate banking subsidiary pursuant to separate legal agreements between the Bank and BANDEPE, and its financial statements are included in the consolidated financial statements of the Banco ABN AMRO Real Group.

On 8 November 2001, the Bank acquired, in a privatisation auction, 89.7%, comprising 15,425,848 common shares of the total capital of Banco do Estado da Paraíba S.A. ("**Paraiban**"), the state bank of Paraíba. Paraiban was a small bank whose operations were complimentary to BANDEPE's. On 24 December 2001, the Bank acquired the remaining 1,713,983 common shares from *Clube de Investimentos dos Empregados do Paraiban*, the investment fund of the employees of the former state bank. On 28 March 2002, Paraiban was merged into the Bank. As a result of the merger, the capital of the Bank was increased by R$158 thousand. The Central Bank approval for the merger was obtained on 24 January 2003.

On 8 February 2002, the Bank acquired Webmotors S.A. ("**Webmotors**"), the leading internet portal dedicated to the automotive market in Brazil. Webmotors was acquired to compliment the Bank's activities in car financing.

On 24 October 2003, the Bank acquired Banco Sudameris do Brasil S.A. ("**Sudameris**") and its subsidiaries from Banca Intesa S.p.A. The acquisition was made by means of an investment in Sudameris Par S.A. pursuant to a share purchase and sale agreement between ABN AMRO Brasil Participações

Financeiras S.A. (the parent company of the Bank) and Banca Intesa SpA. The Bank acquired 94.57% of the share capital of Sudameris for approximately R$2.2 billion paid partly in cash and partly in shares of the Bank. See "Banco ABN AMRO Real S.A. — History and Ownership — Acquisition of Sudameris". The financial information on Sudameris is included in the Combined Summary Financial Information of the Bank.

On 18 August 2004, the Bank acquired Araguaí Consórcio de Veículos Ltda. through its subsidiary Clauport Participações Ltda., and subsequently changed its name to ABN AMRO Real Administradora de Consórcio Ltda.("**ABN Consórcio**"). On the date of the acquisition, ABN Consórcio's corporate capital was R$ 2.477.558. The purpose of this venture is to manage consortia formed by consumer and corporate purchasers of durable goods (including, but not limited to, vehicles) and real estate properties. Under the relevant consortium terms, the full purchase price of one durable good or real estate property to be purchased by each member of the consortium is split equally among them and is payable on a monthly basis so that each month, title to a durable good or piece of real estate in question is delivered to one member of the consortium (determined by a lottery system).

On 22 October 2004, the Sudameris consumer finance business' portfolio, which operated under the name of "**Sud Cred**", was merged into the Bank's consumer finance business, operating under the name of "**Aymoré Financiamentos**". As of 31 December 2004, this portfolio amounted to R$134.5 million. In addition, the Bank currently holds indirectly 39.86% of Companhia de Crédito, Financiamento e Investimento Renault do Brasil S.A. ("**CFI Renault**"), the financing entity of the Renault/Nissan car manufacturer, indirectly holds 39.81% in Companhia de Arrendamento Mercantil Renault do Brasil ("**Leasing Renault**"), and has a joint venture agreement with RCI Banque S.A. ("**RCI Bank Brazil**"), which credit portfolio amounted to R$372 million as of 31 December 2004.

On 27 March 2006, the Bank entered into a partnership agreement with Banco Bradesco S.A. and Certegy Ltda., a subsidiary of the Fidelity Group, which specialises in technological services for financial institutions, for the joint holding in the corporate capital of Fidelity Processadora e Serviços S.A., which corporate purpose is the rendering of payment processing services for credit cards. Fidelity Processadora e Serviços Ltda. is expected to initiate the rendering of services to the Bank and its affiliates in September 2007.

On 23 May 2006, the Bank entered into a partnership agreement with MMC Automotores Ltda., a licensee of Mitsubshi Motors Corporation in Brazil, for the incorporation of Diamond Finance Promotora de Vendas S.A. (a sales promotion company for the Bank's financial products). Diamond Finance Promotora de Vendas S.A. will have exclusivity on the sale of financial products in the Misubishi vehicle dealership network in Brazil.

Operating Integration

Sudameris added an important presence in the Brazilian Southeast region, with a special focus on small and medium sized companies and high net-worth individuals, as well as foreign trade operations and third-party resources management. From October 2004, the Bank, the ABN AMRO Companies in Brazil and Sudameris started to operate under integrated services and products offer, through their branch network, their PABs (Bank Service Outposts) and their electronic access channels (internet, call center and self-service). The Bank may engage in further acquisitions as it seeks to continue its growth in the consolidating Brazilian financial services industry. The operating integration of the institutions and assets the Bank may acquire in the future and the operating integration process during the post-acquisition period may involve certain risks, including the risks that:

- integrating new networks, information systems, personnel, products and customer bases into the Bank's existing business may place additional demands on its senior management, information systems, back office operations and marketing resources;

- the Bank may incur unexpected liabilities or contingencies relating to the acquired businesses; and/or

- delays in the operating integration process may cause the Bank to incur greater operating expenses than expected with respect to its acquired businesses.

Financial Statements

As a result of the acquisitions made by the Bank (see "—Acquisitions" and "—Operating Integration"), certain subsidiaries of the Bank are not consolidated in the Bank's financial statements. In order to provide in one set of financial statements all information related to the financial and insurance activities of the Bank and its subsidiaries and related companies in Brazil, the Combined Summary Financial Information has been prepared by the management of each of ABN AMRO Group Companies in Brazil, irrespective of the corporate structure and the requirements for disclosing financial statements determined by the accounting practices adopted in Brazil ("Accounting Practices Adopted in Brazil", see "Summary of Certain Significant Differences Among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS"). The *pro forma* combined financial statements are not required by these accounting practices and do not necessarily take into consideration all consolidation principles laid down by Brazilian GAAP. See "Presentation of Financial Information—Combined Summary Financial Information".

The Combined Summary Financial Information has been prepared for illustrative purposes only and evaluation of period-to-period trends may be impossible or impaired and, as a result of the past mergers and the corporate restructuring of the Bank, the Combined Summary Financial Information cannot be relied upon as being indicative of the financial performance of Banco ABN AMRO Real Group in the past or of the future financial position and results of operations of the Banco ABN AMRO Real Group or as credit behind the Notes.

Change of Auditors

Pursuant to CMN Resolution No. 3,198, dated 27 May 2004, financial institutions are required, effective as of 28 May 2004, to replace their independent auditors at least every five consecutive fiscal years. According to CMN Resolution No. 3,332, dated 22 December 2005, this periodic replacement of independent auditors has been suspended until 31 December 2007. See "The Brazilian Financial System — Regulation by the Central Bank — Independent Accountants". The financial statements for the years ended 31 December 2006, 31 December 2005, 31 December 2004, 31 December 2003 and 31 December 2002 have been audited by Ernst & Young. Ernst & Young replaced KPMG Auditores Independentes ("KPMG") as auditors of the Bank in January 2002, in compliance with the Central Bank regulation.

Effects of Exchange Rate Fluctuation

The exchange rate between the *Real* and the U.S. Dollar has varied significantly in recent years. During 2003, the *Real* appreciated by 18.2% in comparison to the U.S. Dollar, to R$2.8892 at 31 December 2003. During 2004, the *Real* appreciated by 8.1% in comparison to the U.S. Dollar, to R$2.6544 at 31 December 2004. During 2005, the *Real* appreciated by 11.8% against the U.S. dollar to R$2.3407 per U.S. dollar at 31 December 2005. During 2006, the *Real* appreciated by 8.1% against the U.S. dollar to R$2.1380 per U.S. dollar at 31 December 2006. At 14 March 2007 the *Real*/U.S. dollar exchange rate was R$2.0909.

At 31 December 2006, approximately R$18,033 million of the Bank's financial assets and liabilities are denominated in or indexed to foreign currencies, primarily U.S. Dollars. When the Brazilian currency is devalued, the Bank incurs losses on its liabilities denominated in or indexed to foreign currencies, such as its U.S. Dollar-denominated long-term debt and foreign currency loans, and experiences gains on its monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *Reais*. If a devaluation occurs when the value of such liabilities significantly exceeds the value of such assets, including any financial instruments entered into for hedging purposes, the Bank could incur significant losses, even if their value has not changed in their original currency. This could adversely affect its ability to meet its payment obligations under the Notes.

In addition, ABN AMRO Leasing's lending and leasing operations could depend significantly on its capacity to match the cost of funds indexed to the U.S. Dollar with the rates charged to its customers. A significant devaluation may affect its ability to attract customers on such terms or to charge rates indexed to the U.S. Dollar. Since the first half of 1999, the leasing market in Brazil suffered a slowdown due to the currency devaluation and higher interest rates. See "— New Monetary Regulations". In line with other Brazilian leasing operations, the devaluation of the *Real* has increased the burden of debt service for borrowers in foreign currency whose income is denominated in Brazilian currency, which in turn is likely to result in an increase in ABN AMRO Leasing's level of non-performing leases (primarily U.S. Dollar-linked leases) and its provisions for losses. As a result of the recent appreciation of the *Real* and its stability for the past months, ABN AMRO Leasing has experienced a decrease in non-performing leases and, consequently, in the provision for loan losses.

In the past, the devaluation of the *Real* has led the Bank and ABN AMRO Leasing, along with other Brazilian banks with significant leasing operations, to extend the amortisation schedules of certain of its leases (primarily its U.S. Dollar-linked leases) so as to reduce the monthly instalments owed by lessees and to reduce the risk of default on the leases. However, the current stability of the *Real* should reduce further the default risk in the Bank's and ABN AMRO Leasing's leasing operations. See "Business of Banco ABN AMRO Real S.A. — Litigation".

When the Brazilian currency appreciates, the Bank incurs losses on its assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, while at the same time the Bank experiences decreases in its liabilities denominated in, or indexed to, foreign currencies, as the liabilities and assets are translated into *Reais*. Therefore, if the Bank's assets denominated in, or indexed to, foreign currencies significantly exceed its liabilities denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect the Bank's financial results even if the value of the assets has not changed in their original currency. This could adversely affect the Bank's ability to meet its payment obligations under the Notes.

Brazilian Regulatory Considerations

The Bank is subject to extensive regulation by the Brazilian Government. As a result of frequent changes in such regulations, historical results of operations of the Bank are not necessarily indicative of future results. For a more detailed discussion of the regulatory framework under which the Bank operates, and applicable regulations and other regulatory requirements adopted by the Central Bank and other regulatory authorities, see "The Brazilian Financial System". No assurance can be given that, in future periods, the impact of regulatory developments will not, individually or in the aggregate, have a material adverse effect on the Bank's business, condition (financial or other), properties, prospects or results of operations.

Article 192(3) of the Brazilian Constitution established a 12% annual ceiling for bank loan interest rates (the "12% ceiling"). However, since the enactment of the Constitution such rate has not been enforced as implementing legislation has not been enacted. Several attempts had been made to regulate the limitation on bank loan interest, but none of them was successful.

On 29 May 2003, the Constitutional Amendment No. 40 ("EC 40/03") was enacted and revoked all subsections and paragraphs of Article 192 of the Brazilian Constitution. This amendment allows the Brazilian financial system to be regulated by specific laws in respect of each sector of the system rather than by a single law relating to the system as a whole.

There can be no assurance that such limitation will not be reintroduced by the Brazilian government and, since Brazilian interest rates have fluctuated greatly in recent years, any future limitation imposed on interest rates that financial institutions may charge could have a material effect on the financial condition, results of operations or prospects of Brazilian banks, including the Bank.

Certain of the Bank's non-banking operations, including ABN AMRO Leasing, are also regulated by the Brazilian Government. See "ABN AMRO Arrendamento Mercantil S.A. — Overview" and "ABN AMRO Arrendamento Mercantil S.A.—Lease Portfolio—Regulation of ABN AMRO Leasing". No assurance can be given that the current regulations will remain in effect, nor can there be any certainty that any new or additional regulations will not materially adversely affect the business, condition (financial or other), properties, prospects or results of operations of the Bank or of ABN AMRO Leasing.

Net Interest Margins

Real interest rates have, in the 1980s and 1990s up until the end of 2000, generally been higher in Brazil than in the United States, European countries and most other industrialised nations. As a result, the Brazilian banking industry, in general, and the Bank, in particular, have benefited from higher net interest margins than banks located in such countries. During 2001 and 2002, the growth of the Brazilian economy slowed as a result of the impact of the ongoing economic crisis in Argentina, an important trading partner of Brazil, and lower levels of growth of the U.S. economy, among other factors. In response to such factors, the Central Bank, which determines the Brazilian base interest rate, increased such rate in an attempt to control inflation. The base interest rate is the benchmark interest rate payable to holders of securities issued by the federal government and traded at the SELIC. During 2001 the Central Bank raised Brazil's annual base interest rate by a total of 3.25 percentage points to 19%. During 2002, the Central Bank raised Brazil's annual base interest rate further by a total of 6 percentage points to 25%. During early 2003, the Central Bank increased Brazil's annual base interest rate to a high of 26.5% on 19 February 2003. These changes were again largely the result of the ongoing economic crisis in Argentina, the lower level of growth in the U.S. economy and the internal political instability caused by the Brazilian Presidential elections in the second half of 2002, among other factors. The annual base interest rate was decreased over the second half of 2003 to 16.5% on 17 December 2003. The annual base interest rate was lowered to 16.0% on 14 April 2004 and subsequently increased during the following months reaching 19.75% on 18 May 2005 and then, gradually reduced to 12.75% where it stands since 7 March 2007.

No assurance can be given that interest rates in Brazil or the Bank's net interest margins will remain at current levels.

Credit Risk

Since the end of 1997 and in particular during 2001 and 2002, disruptions in the international financial markets and the resulting devaluation of the *Real* caused the Brazilian banking and financial system to

experience a significant increase in the outflow of U.S. Dollars and a decline in the amount of foreign currency being invested in Brazil. These developments made it increasingly difficult for certain companies and financial institutions in Brazil to obtain cash and other liquid assets and resulted in the failure of certain financial institutions and widespread consolidation among banks in Brazil. Recently, the difference between international and Brazilian interest rates have been causing a significant inflow of U.S. Dollars, increasing short-term domestic liquidity in Brazil. This inflow, however, can be quickly reverted by international central banks' actions, by reducing the existing interest rate gap, which might create obstacles to the availability of investors for emerging markets such as the Brazilian market. Therefore, no assurance can be given that disruptions in international and Brazilian financial and credit markets will not adversely affect the ability of the Banco ABN AMRO Real Group's domestic Brazilian customers to make timely payments on their obligations to the Banco ABN AMRO Real Group or otherwise materially adversely affect the results of operations, financial condition or business prospects of the Bank or, as the case may be, ABN AMRO Leasing.

Changes in Reserve and Compulsory Deposit Requirements

The Central Bank has historically varied the amount of reserves that banks in Brazil are required to maintain with the Central Bank in relation to amounts of demand, savings and time deposits and certain credit transactions. Such variations in reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy. Some compulsory deposits, including reserves for demand deposits, do not bear interest. In addition, the Central Bank requires that some reserves be held in Brazilian Government securities and that a minimum of 65% of the total amount deposited in savings accounts be used to finance the federal housing programme. At 31 December 2006, the Bank's compulsory deposits were approximately R$10,081 million. No assurance can be given that the Central Bank will not increase reserve requirements or impose new reserve or compulsory deposit requirements in the future which could materially adversely affect the Bank. See "The Brazilian Financial System — Regulation by the Central Bank — Reserve and Related Requirements".

Competition

The markets for financial and banking services in Brazil are competitive and, in recent years, the Brazilian banking industry has undergone a process of consolidation. The Bank faces substantial competition in all of its areas of operations and its principal competitors are other large Brazilian and foreign banks that operate extensive domestic retail branch networks and pursue a national business strategy. The Bank also competes with Brazilian Government-owned federal and state banks that operate extensive retail branch networks.

The Brazilian financial sector grew significantly in 2006. In line with the economic growth, credit growth was driven by the financing of durable and non-durable asset acquisition to individuals. The growth of corporate credit was less significant, as companies were using their idle capacity prior to obtaining new financing. Total loans by the banking industry reached R$733.8 billion at 31 December 2006, a 20.8% increase compared to R$607.0 billion at 31 December 2005.

Based on the perspective of declining interest rates, declining spreads and the maintenance of the current economic expansion cycle, the Bank may face a more competitive environment in the retail banking sector. The acquisition of Sudameris in October 2003 brought a valuable client base and reinforced the Bank's position among the top Brazilian private retail banks. The Bank is constantly evaluating the opportunities for acquisitions and partnerships to increase its market share.

See "Business of Banco ABN AMRO Real S.A. — Consumer and Commercial Clients — Distribution".

Consideration Relating to ABN AMRO Leasing

Dependence on the Bank – Support Letter

ABN AMRO Leasing is a 99.99%-owned subsidiary of the Bank and is dependent on the Bank for a number of key aspects of its operations, including managerial expertise provided by the Bank, generation of leasing business through the Bank's branch network and personnel. Pursuant to Brazilian regulations, leasing companies are prohibited from obtaining credit financing or guarantees from their controlling financial institutions. Accordingly, whilst the Bank has stated in a Support Letter, among other things, that (i) (save in respect of, transfers within the ABN AMRO Group, as defined below) it does not intend to sell, transfer or otherwise dispose of its shareholding in ABN AMRO Leasing or allow any modification to its 99.99% participation therein, and (ii) its policy is to ensure that ABN AMRO Leasing will have available sufficient liquidity to meet its obligations (subject to prevailing laws and regulations in Brazil), the Support Letter is not, by its terms, a guarantee in respect of any Notes, nor does it confer any rights on the holders of any Notes against the Bank. See "ABN AMRO Arrendamento Mercantil S.A. — Support Letter".

Brazilian financial institutions are permitted to, and, since January 1999, the Bank and ABN AMRO Leasing have, calculated their compliance with capital adequacy and liquidity ratios pursuant to Resolutions Nos. 2,099 and 2,283 as amended by Resolution No. 2,699 on a consolidated basis. In view of its current dependence on the Bank, it is unlikely that ABN AMRO Leasing could continue to operate successfully if the Bank should become unable for any reason to continue supporting ABN AMRO Leasing in the manner and to the extent that it currently does.

Risk Factors relating to ABN AMRO Cayman

ABN AMRO Cayman is a branch of the Bank licensed in the Cayman Islands under a Category "B" license and as such is part of the same legal entity as the Bank. As a result, obligations of ABN AMRO Cayman are obligations of the Bank and the Bank is responsible for all obligations of ABN AMRO Cayman. The Bank intends to use the proceeds of Notes issued by ABN AMRO Cayman for various purposes, principally for the purpose of lending to the Bank and to the Bank's clients in Brazil. Accordingly, despite ABN AMRO Cayman's location outside of Brazil, an investment in Notes issued by ABN AMRO Cayman is subject to the same risk factors as an investment in Notes issued by the Bank, including the ability to obtain foreign currencies and to make remittances out of Brazil. See "— Risk Factors relating to the Bank and the Banking Industry" and "— Risk Factors relating to Brazil".

Risk Factors relating to Brazil

Political and Economic Conditions

Actions taken by the Brazilian Government may have a significant effect on Brazilian entities, including the Bank and its subsidiaries. Accordingly, the Bank's financial condition and results of operations are substantially dependent on Brazil's economy, which has been characterised by frequent and occasionally drastic intervention by the Brazilian Government and volatile economic cycles.

In the past, the Brazilian Government has often changed monetary, fiscal and other policies to influence the course of Brazil's economy. The Bank has no control over, and cannot predict, what measures or policies the Brazilian Government may take in response to the Brazilian economic situation or how Brazilian Government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, the Bank's operations and revenues.

These and other future developments in the Brazilian economy and government policies may reduce Brazilian demand for the Bank's services, adversely affect its financial condition and results of operations, and impact its ability to satisfy its payment obligations under the Notes.

Impact of Extreme Inflation

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation reaching 1,093% in 1994. More recently, Brazil's rates of inflation, as measured by the IGP-DI, were 26.4% in 2002, 7.7% in 2003 and 12.1% in 2004, and 1.22% in 2005, and the accumulated IGP-DI measured 3.8% at 31 December 2006. Inflation itself and governmental measures to combat inflation have in the past had significant negative effects on the Brazilian economy. High rates of inflation, actions taken to combat inflation and speculation about possible future actions have also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future, the Bank's and ABN AMRO Leasing's costs (if not accompanied by an increase in interest rates) may increase, their operating and net margins may decrease, and this decrease may adversely affect their ability to satisfy their payment obligations under the Notes. Inflationary pressures may also curtail the Bank's and ABN AMRO Leasing's ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

Changes in Taxes and Other Fiscal Assessments

To support the Bank's fiscal policies, the federal government regularly enacts reforms to the tax and other assessment regimes to which the Bank and its customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon the Bank's business. Furthermore, such changes have produced uncertainty in the financial system, increased the cost of borrowing and contributed to the increase in the Bank's non-performing loan portfolio.

The Brazilian Congress, through Law No. 10,684 of 30 May 2003, has approved the increase in the rate of the Contribuição para Financiamento de Seguridade Social, or "COFINS", payable by entities in the financial services sector, including the Bank. The Programa de Integração Social, or "PIS", and COFINS were previously imposed on the gross revenues of financial companies at a combined rate of 3.65%. As of September 2003, the rate of COFINS increased from 3% to 4%. Therefore the two taxes are currently imposed on the Bank's revenues at a combined rate of 4.65%. On 30 December 2002, the Brazilian Government enacted Law No. 10,637, which raised the rate of PIS from 0.65% to 1.65% and made PIS a value-added tax. The new rate of 1.65% has been in force since 1 December 2003. Financial institutions are not subject to this new PIS regime. On 29 December 2003, the Brazilian Government enacted Law No. 10,833, which raised the rate of COFINS from 3% to 7.6% with respect to financial services entities and made COFINS a value-added tax. The new rate of 7.6% has been in force since 1 February 2004. Financial institutions are not subject to this new COFINS regime. See "Brazilian Financial System—Taxation".

Differences in Corporate Disclosure and Accounting Standards

Disclosure requirements and standards applicable to Brazilian companies differ in certain respects from those in the United States or certain other countries with highly developed capital markets. In general, there may be substantially less information available about Brazilian companies, including the Bank and ABN AMRO Leasing as a whole than there would be generally available about a publicly traded

company in the United States or certain other countries with highly developed capital markets. In addition, as neither the Bank nor ABN AMRO Leasing is a publicly traded company in Brazil, there is even less publicly available information about the Bank or ABN AMRO Leasing than the information available on Brazilian companies that are publicly traded.

All Brazilian companies, including the Bank and ABN AMRO Leasing, prepare their financial statements in accordance with Brazilian GAAP, which differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). As a result, Brazilian financial statements may differ significantly from financial statements prepared in accordance with U.S. GAAP or the accounting standards of certain other countries. Thus, the items appearing on the financial statements of a company in Brazil may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. GAAP. For a description of the differences between Brazilian GAAP and U.S. GAAP as they relate to the Bank and ABN AMRO Leasing, see "Summary of Certain Significant Differences Among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS".

Exchange Controls and Restrictions

Brazilian law provides that, in the event there is a serious imbalance in Brazil's balance of payments or there is a foreseeable likelihood of such an imbalance, the Brazilian Government may, for a limited period of time, impose restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and on the conversion of Brazilian currency into foreign currencies. Brazil has not restricted the remittance of proceeds to foreign investors since 1990. However, no assurance can be given that such measures, which could affect the ability of the Bank or ABN AMRO Leasing to repay any Notes, will not be instituted in the future.

Although the Brazilian Government has recently enacted new regulation eliminating certain restrictions in connection with foreign exchange transactions (see "Exchange Controls and Foreign Exchange Rates"), the entry of proceeds of the issue of Notes by the Bank or ABN AMRO Leasing would be subject to the obtaining of a Registration of Financial Transaction ("ROF") issued by the Central Bank. If the Central Bank does not object within five days of applying for an ROF, the transaction will be considered automatically approved. An ROF is valid for a period of 180 days, after which time, if there is no entry of funds into Brazil, the ROF will be cancelled. After funds enter Brazil, the Bank or ABN AMRO Leasing must register a payment schedule (*esquema de pagamento*) which will allow the Bank or ABN AMRO Leasing to make remittances of scheduled payments of principal and interest on the Notes, and any fees, commissions and expenses incurred in connection with the issue of the Notes as such payments, fees commissions and expenses become due. There can be no assurance that in the future the Brazilian Government will not impose more restrictive foreign exchange regulations that would have the effect of preventing or restricting the Bank or ABN AMRO Leasing 's access to foreign currency with which to meet its foreign currency obligations under its foreign currency-denominated liabilities, including the Notes.

The likelihood of the imposition of such restrictions by the Brazilian Government at any time may be affected by, among other factors, the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the IMF and political constraints to which Brazil may be subject, all of which are factors that are beyond the Bank's and ABN AMRO Leasing's control. Although payments by Brazilian issuers in respect of securities obligations issued in the international capital markets, such as the Notes, have not been subject to restrictions imposed by the Central Bank to date, no assurance can be given that any such restrictions may not be imposed in the future.

Risk Factors relating to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuers. Although application has been made for the Notes issued under the Programme to be admitted to listing on Euronext, there is no assurance that such application will be accepted, that any particular tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Brazil or, where the Issuer is ABN AMRO Cayman, the Cayman Islands, or any political subdivision thereof or any authority therein or thereof having power to tax, the Bank or ABN AMRO Leasing may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

In addition, if in any case of any particular tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Bank's or ABN AMRO Leasing's option in certain other circumstances, the Bank or ABN AMRO Leasing may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuers

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuers will discharge their payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuers have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Subordination to Certain Statutory Liabilities

Under Brazilian law, the Bank's obligations under the Notes are subordinated to certain statutory preferences. In the event of liquidation of the Bank, certain claims, such as claims for salaries, wages, social security, taxes and court fees and expenses, will have preference over any other claim, including the Notes and claims guaranteed by a security interest.

Risks associated with derivative securities

In the event that Notes are issued as derivative securities (as referred to in the Prospectus Directive 2003/71/EC), prospective investors should be aware that they may lose the value of their entire investment or part of it, as the case may be. Such Notes are suitable only for sophisticated investors who have the requisite knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in such Notes. Each prospective investor should ensure that, prior to its purchase of such Notes, it has sought independent legal, regulatory, tax, business, investment, financial and accounting advice to the extent it deems such advice necessary in evaluating and understanding all the conditions and the risks of such Notes. No investor should purchase such Notes unless that investor understands and has sufficient financial resources to bear the price, market, liquidity, structure, redemption, and other risks associated with an investment in such Notes.

Further Risk Factors

Effects of Developments in Other Emerging Market Countries

Since the end of 1997, and in particular during 2001 and 2002, as a result of economic problems in various emerging market countries, including the economic crisis in Argentina, investors have had a heightened risk perception for investments in emerging markets. As a result, in some periods Brazil has experienced a significant outflow of U.S. dollars and Brazilian companies have faced higher costs for raising funds, both domestically and abroad and have been impeded from accessing international capital markets. We cannot assure investors that international capital markets will remain open to Brazilian companies or that the prevailing interest rates in these markets will be advantageous to us. This may limit our ability to refinance indebtedness as it matures.

TERMS AND CONDITIONS OF THE NOTES

For the purposes of these Terms and Conditions, "Notes" means Medium-Term Notes. The following are the Terms and Conditions of the Notes which (subject to completion and amendment) will be applicable to each Series of Notes provided that the relevant Final Terms in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Notes:

The Notes are constituted by a trust deed (the "Trust Deed", which expression shall include any amendments or supplements thereto or amendments and restatements thereof as at the date of issue of the Notes) dated 8 August 1995 as amended and restated on 2 August 2005 and made between (a) Banco ABN AMRO Real S.A. (the "Bank"), (b) ABN AMRO Arrendamento Mercantil S.A. ("ABN AMRO Leasing"), (c) Banco ABN AMRO Real S.A., Grand Cayman Branch ("ABN AMRO Cayman") and (d) JPMorgan Trustee and Depositary Company Limited (the "Trustee", which expression shall include all persons for the time being the trustee or the trustees of the Trust Deed) as trustee for the holders of the Notes from time to time. The Notes will be issued either by (i) the Bank, (ii) ABN AMRO Leasing or (iii) ABN AMRO Cayman. Payments in respect of the Notes will be made pursuant to a paying agency agreement (the "Agency Agreement", which expression shall include any amendments or supplements thereto or amendments and restatements thereof as at the date of issue of the Notes) dated 8 August 1995 as amended and restated on 2 August 2005 and made between (a) the Bank, (b) ABN AMRO Leasing, (c) ABN AMRO Cayman, (d) J.P. Morgan Trust Bank Limited as principal paying agent (the "Principal Paying Agent", which expression shall include any successor to J.P. Morgan Trust Bank Limited in its capacity as such), (e) JPMorgan Chase Bank N.A., London Branch as London Paying Agent (the "London Paying Agent", which expression shall include any successor to JPMorgan Chase Bank N.A., London Branch in its capacity as such), (f) the paying agents named therein (the "Paying Agents", which expression shall include the London Paying Agent, the Registrar (as defined below) and any substitute or additional paying agents appointed in accordance with the Agency Agreement), (g) JPMorgan Chase Bank N.A., New York Office as registrar (the "Registrar", which expression shall include any successor to JPMorgan Chase Bank N.A., New York Office in its capacity as such), (h) the transfer agents named therein (the "Transfer Agents", which expression shall include any substitute or additional transfer agents) appointed in accordance with the Agency Agreement and (i) the Trustee. Copies of the Trust Deed and the Agency Agreement are available for inspection at the specified office of each of the Trustee and the Paying Agents. These Terms and Conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement, and the Trust Deed includes the form of Notes in registered form ("Registered Notes"), Notes in bearer form ("Bearer Notes") and any interest coupons (the "Coupons") appertaining to Bearer Notes. All persons from time to time entitled to the benefit of obligations under any Notes or Coupons (if applicable) shall be deemed to have notice of, and shall be bound by, all of the provisions of the Agency Agreement and the Trust Deed insofar as they relate to the relevant Notes.

In these conditions, "Issuer" means, in relation to any Notes or Tranche (as defined below) or Series (as defined below) of any Notes, the issuer of such Notes or of such Tranche or such Series (as identified in the Final Terms (as defined below) relating thereto), being either (i) the Bank, (ii) ABN AMRO Leasing or (iii) ABN AMRO Cayman.

The Notes are issued in series (each, a "Series"), and each Series may comprise one or more tranches ("Tranches" and each, a "Tranche") of Notes. Each Tranche will be the subject of final terms (each, the "Final Terms"), a copy of which will, in the case of a Tranche in relation to which application has been made to list the Notes on Eurolist of Euronext Amsterdam N.V. ("Euronext Amsterdam") and will be available for inspection at the specified office of the Paying Agents. In the case of a Tranche of Notes in relation to which application has not been made to list the same on the Eurolist of Euronext Amsterdam or

on any other stock exchange, copies of the relevant Final Terms will only be available for inspection at the specified office of the London Paying Agent and/or the Registrar by a Holder (as defined in Condition 2) of such Notes.

References in these Conditions to "Notes" are to Notes of the relevant Series and any references to "Coupons" are to Coupons relating to Bearer Notes of the relevant Series.

1. Form and Denomination

1.01 ***Form of Notes:*** Notes are issued in bearer and/or registered form, as specified in the relevant Final Terms issued in respect of each Tranche of Notes.

1.02 ***Form of Bearer Notes:*** Bearer Notes will be in substantially the form (subject to amendment and completion) scheduled to the Trust Deed. Interest-bearing Bearer Notes will, if so specified in the relevant Final Terms, have attached at the time of their initial delivery Coupons, presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below.

1.03 ***Form of Registered Notes:*** Registered Notes will be in substantially the form (subject to amendment and completion) scheduled to the Trust Deed.

1.04 ***Instalment Notes:*** Any Note, the principal amount of which is repayable by instalments ("Instalment Notes"), will have endorsed thereon a grid for recording the repayment of principal or will, if so specified in the relevant Final Terms, have attached at the time of its initial delivery, principal coupons.

1.05 ***Denomination of Bearer Notes:*** Bearer Notes will be in the denomination or denominations (each of which denominations must be integrally divisible by each smaller denomination) specified in the relevant Final Terms. Bearer Notes of one denomination shall not be exchanged for Bearer Notes of another denomination.

1.06 ***Denomination of Registered Notes:*** Registered Notes will be in the minimum denomination or denominations specified in the relevant Final Terms which will, in the case of Registered Notes sold pursuant to Rule 144A under the Securities Act, be at least U.S.$100,000 (or its equivalent, rounded upwards, as specified in the relevant Final Terms) and higher integral multiples of U.S.$10,000 in excess thereof or such higher denomination or denominations as may be specified in the relevant Final Terms.

1.07 ***Minimum Denomination:*** No Notes may be issued which have a minimum denomination of less than EUR50,000 (or equivalent in another currency). Any minimum denomination of a Note, where required by any law or directive or regulatory authority in respect of any currency of issue of such Note, shall be such as applies on, or prior to, the date of issue of such Note.

1.08 ***Currency of Notes:*** Notes may be denominated in any currency (including, without limitation, Canadian Dollars ("CAD"), euro ("euro") and United States Dollars ("U.S. Dollars")) subject to compliance with all applicable legal and/or regulatory requirements.

2. Title

2.01 ***Title to Bearer Notes:*** Title to Bearer Notes and Coupons will pass by delivery. References herein to the "Holders" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons.

2.02 ***Title to Registered Notes:*** Title to Registered Notes will pass by registration in the register (the "Register") which the Issuer shall procure to be kept by the Registrar. References herein to the "Holders" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant Register or, in the case of joint Holders, the first named thereof.

2.03 ***Holder as Absolute Owner:*** The Holder of any Bearer Note or Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement or an order of a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not such Note or Coupon is overdue and regardless of any notice of ownership, trust or any interest therein or thereon, any theft or loss thereof or any writing thereon made by anyone (other than, in the case of Registered Notes, a duly completed and executed transfer thereof in the form endorsed thereon) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2.04 ***Transfer of Registered Notes:*** Registered Notes may, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, be transferred in whole or in part (*provided* that such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or, as the case may be, the relevant Transfer Agent may reasonably request to prove the title of the transferor and the authority of the person(s) who has (or have) executed the form of transfer. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not so transferred will be issued to the transferor.

2.05 ***Exchange of Bearer Notes for Registered Notes:*** If so specified in the relevant Final Terms, the Holder of any Bearer Notes may exchange some or all of such Bearer Notes for an aggregate principal amount of Registered Notes equal to the aggregate principal amount of Bearer Notes being so exchanged upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office of any Transfer Agent together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 9B.03) for such payment of interest and the date on which such payment of interest falls due.

2.06 ***Delivery of Registered Notes:*** Each new Registered Note to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within five Relevant Banking Days (as defined below) of the transfer date (as defined below), be available for delivery at the specified office of the Registrar or, as the case may be, the relevant Transfer Agent or (at the request and sole risk of the Holder of such Registered Note) be mailed by uninsured post to such address as such Holder may have specified. For these purposes, a form of transfer or request for exchange received by the Registrar or any of the Transfer Agents after the Record Date (as defined in Condition 9B.03) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or such Transfer Agent until the day following the due date for such payment.

In these Conditions:

(i) "Relevant Banking Day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the place where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located;

(ii) the "transfer date" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance herewith and all reasonable requirements of the Registrar or, as the case may be, the relevant Transfer Agent shall have been satisfied in respect of such transfer; and

(iii) the "exchange date" shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.05.

2.07 ***No Charge:*** The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment by the applicant (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed thereto in relation to such transfer.

2.08 ***Private Placement Legend:*** Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the "Private Placement Legend") for the purpose of Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), set forth in the form of a Registered Note scheduled to the Trust Deed, the Registrar shall deliver only Registered Notes that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Notes or (2) the last date on which the Issuer or any affiliates (as defined in Rule 144(a)(1)) of the Issuer, as notified to the Registrar by the Issuer as provided in the following sentence, was or, as the case may be, were the beneficial owner(s) of such Note (or any predecessor of such Note) or (ii) there is delivered to the Registrar an opinion satisfactory to the Issuer of United States counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. Each of the Bank, ABN AMRO Leasing and ABN AMRO Cayman covenants and agrees that it will not acquire any beneficial interest, and will cause its affiliates (as defined under the Securities Act) not to acquire any beneficial interest, in any Registered Note bearing the Private Placement Legend unless it notifies the Registrar of such acquisition. The Registrar and all Holders of Registered Notes shall be entitled to rely without further investigation on any such notification (or lack thereof).

2.09 ***Exchange of Registered Notes for Bearer Notes:*** Registered Notes will not be exchangeable for Bearer Notes.

2.10 ***Regulations:*** All transfers of Registered Notes and exchanges of Bearer Notes for Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes and exchanges of Bearer Notes, such initial regulation being scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed by the Registrar to any Holder of a Note who requests a copy.

3. Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer which will rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Issuer (save, in each case, for certain exceptions provided by law).

4. Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), none of the Issuers shall (without, at the same time or prior thereto and to the satisfaction of the Trustee, securing the Notes equally and rateably therewith or providing such other security for the Notes as the Trustee shall in its absolute discretion deem not materially less beneficial to the Holders of such Notes or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Holders) create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure:

(a) any of its Public External Indebtedness; or

(b) any guarantee of or indemnity in respect of any Public External Indebtedness of any person.

In these Conditions:

"Brazil" means the Federative Republic of Brazil;

"person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality;

"Public External Indebtedness" means any obligation of any person, whether present, future, actual or contingent, for the payment or repayment of money which (i) has been borrowed or raised, (ii) is payable or may be paid in a currency other than the lawful currency for the time being of Brazil and/or to a person resident or having its principal place of business outside of Brazil, and (iii) is in the form of, or represented by, bonds, notes, certificates of deposit, commercial paper or other securities which are for the time being or are capable of being or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter market or other organised securities market; and

"Security" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance, including, without limitation, any equivalent created or arising under the laws of Brazil.

5. Interest

Notes may be interest-bearing or non-interest bearing, as specified in the relevant Final Terms. In the case of non-interest bearing Notes, a reference price and accrual yield will, unless otherwise agreed, be specified in the Final Terms. The Final Terms in relation to each Tranche of interest-bearing Notes shall specify which of Condition 5A, 5B or 5C shall be applicable and Condition 5D will be applicable to each Tranche of interest-bearing Notes as specified therein save, in each case, to the extent inconsistent

with the relevant Final Terms. In relation to any Tranche of interest-bearing Notes, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, any reference to a rate or rates at which interest accrues.

5A. Interest — Fixed Rate

Notes in relation to which this Condition 5A is specified in the relevant Final Terms as being applicable shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) specified in the relevant Final Terms. Such interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on a "30/360" or "30E/360" basis (as both such terms are used in the 2000 ISDA Definitions as defined below) as specified in the relevant Final Terms or on such other basis as may be specified in the relevant Final Terms.

5B. Interest — Floating Rate

5B.01 ***Floating Rate:*** Notes in relation to which this Condition 5B is specified in the relevant Final Terms as being applicable shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 5B. Condition 5D.02 shall apply to Notes to which this Condition 5B applies.

5B.02 ***Interest commencement date and payment dates:*** Such Notes shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms. Such interest will be payable on each Interest Payment Date (as defined in Condition 5D.02) and on the maturity date of such Notes.

5B.03 ***Relevant Screen Page:*** The Final Terms in relation to each Series of Notes in relation to which this Condition 5B is specified as being applicable shall specify the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service and Moneyline Telerate Service) (the "Relevant Screen Page") which Relevant Screen Page shall include such other page, section or other part as may replace the Relevant Screen Page on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

5B.04 ***Method of Determination:*** The rate of interest (the "Rate of Interest") applicable to such Notes for each Interest Period (as defined in Condition 5D.02) shall be determined by the Determination Agent (as defined in Condition 5D.04) on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Determination Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Determination Agent will determine the arithmetic mean (rounded, if necessary to the nearest ten-thousandth of a percentage point, 0.00005 being rounded upwards) of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Determination Agent will:

(a) request the Primary Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Primary Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(b) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Determination Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Determination Agent) quoted by major banks in the Relevant Financial Centre (as defined in Condition 9C.03) of the Specified Currency, selected by the Determination Agent, at approximately 11.00 a.m. (local time in the Relevant Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the rate of interest applicable to such notes during each interest period will be the sum of the relevant margin (the "relevant margin") specified in the relevant final terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined; *provided*, *however*, that if the determination agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any interest period, the rate of interest applicable to such notes during such interest period will be the sum of the relevant margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such notes in respect of the last preceding interest period, *provided always* that if there is specified in the relevant final terms a minimum interest rate or a maximum interest rate, then the rate of interest shall in no event be less than or, as the case may be, more than that rate. in these conditions, "interest determination date", "relevant margin", "primary financial centre", "reference banks", "relevant time" and "reference rate" have the meanings given in the relevant final terms.

5B.05 ***Calculation of Interest Amount:*** The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "Interest Amount") payable in respect of the principal amount of each Note of each denomination specified in the relevant Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction the numerator of which is the actual number of days in the relevant Interest Period and the denominator for which is 360 or by such other day count fraction as may be specified in the relevant Final Terms and rounding the resulting figure to the nearest sub-unit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

5C. Interest — Other Rates

Notes, in relation to which this Condition 5C is specified in the relevant Final Terms as being applicable, shall bear interest at the rate or rates calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with, the relevant Final Terms.

5D. Interest — Supplement Provisions

5D.01 Conditions 5D.02, 5D.03, 5D.04, 5D.05 and 5D.06 shall be applicable (as appropriate) in relation to all Notes which are interest-bearing.

5D.02 ***Business Day Conventions:*** The Final Terms in relation to each Series or, as the case may be, each Tranche of Notes in relation to which this Condition 5D.02 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

(i) The "FRN Convention", in which case interest shall be payable in arrear on each date (each, an "Interest Payment Date") which numerically corresponds to (A) their date of issue or such other date as may be specified in the relevant Final Terms or, as the case may be, (B) the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred; *provided however*, that:

(a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 9C.03) in that calendar month;

(b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;

(ii) the "Modified Following Business Day Convention", in which case interest shall be payable in arrear on such dates (each, an "Interest Payment Date") as are specified in the relevant Final Terms; *provided*, *however*, that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or

(iii) such other convention as may be specified in the relevant Final Terms.

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

5D.03 ***Notification of Rates of Interest, Interest Amounts and Interest Payment Dates:*** The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer, the Trustee and the London Paying Agent. The London Paying Agent will cause all such determinations or calculations to be notified to the other Paying Agents and, in the case of Registered Notes, the Registrar (from whose respective specified offices such information will be available) as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter and, in the case of Notes listed on the Official Segment of Euronext Amsterdam and/or listed on any other stock exchange, cause all such determinations or calculations to be notified to Euronext Amsterdam and/or any other stock exchange on which the Notes of the relevant Series may, for the time being, be listed by the time required (if any) by such stock exchange; *provided*, *however*, that, in the case of Notes listed on any stock exchange(s), the requirements of such stock exchange(s) are complied with. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 5D.03.

5D.04 ***Determinations final and binding:*** The determination by the Determination Agent or the Trustee and its agent pursuant to the provisions of Condition 5D.06 of all items falling to be determined by it pursuant to these Conditions shall, in the absence of manifest error, be final and binding on all parties. As used herein, the "Determination Agent" means the London Paying Agent or such other agent as may be specified in the relevant Final Terms.

5D.05 ***Accrual of Interest:*** Interest shall accrue on the principal amount of each Note or, in the case of an Instalment Note, on each instalment of principal or otherwise as indicated in the relevant Final Terms. Interest will cease to accrue as from the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any judgment) at the rate then applicable to the principal amount of the Notes or such other rate as may be specified in the relevant Final Terms until the date on which, upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation of the relevant Note, the relevant payment is made or, if earlier (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Principal Paying Agent having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with the Condition 15 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

5D.06 ***Determination by the Trustee or its agent:*** If the Determination Agent does not at any time for any reason so determine the Rate of Interest or calculate the Interest Amount for an Interest Period in relation to any Notes to which this Condition 5D applies, the Trustee or an agent appointed by it for such purposes shall do so and such determination or calculation shall be deemed to have been made by the Determination Agent. In doing so, the Trustee or, as the case may be, its agent shall apply the provisions of this Condition or, as the case may be, the provisions of the relevant Final Terms, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and to the extent it does not hold such opinion, it shall determine or calculate amounts in such manner as it shall deem fair and reasonable in all the circumstances.

6. Redemption and Purchase

6.01 ***Redemption at Maturity:*** Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the "Maturity Redemption Amount") (which shall be its principal amount or such other Maturity Redemption Amount as may be specified in or determined in accordance with the relevant Final Terms) (or, in the case of Instalment Notes, in such number of instalments and in such amounts as may be specified in the relevant Final Terms) on the date or dates specified in the relevant Final Terms.

6.02 ***Early Redemption for Taxation Reasons:*** If, in relation to any Series of Notes:

(a) as a result of any change in or amendment to the laws or regulations of Brazil or, where the Issuer is ABN AMRO Cayman, the Cayman Islands, or of any political subdivision or authority or agency in or of Brazil or, as the case may be, the Cayman Islands having power to tax or any change in the official interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 8 after withholding or deduction from payments in respect of the Notes of the relevant Series of tax at a rate exceeding 15%;

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and

(c) such circumstances are evidenced by the delivery by the Issuer to the Trustee of a certificate signed by two directors of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion, in form and substance satisfactory to the Trustee, of independent legal advisers of recognised standing selected by the Issuer and approved in writing by the Trustee to the effect that such circumstances prevail,

the Issuer may, at its option at any time or on any Interest Payment Date (in the case of Notes which bear interest at a floating rate) and having given no less than 30 nor more than 60 days' notice to the Holders of the Notes in accordance with Condition 15 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the "Early Tax Redemption Amount") (which shall be their principal amount then outstanding (or at such other Early Tax Redemption Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable by the Issuer), together with accrued interest (if any) thereon *provided*, *however*, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

6.03 ***Optional Early Redemption (Call):*** If this Condition 6.03 is specified in the relevant Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the "Call Early Redemption Amount") (which shall be their principal amount or such other Call Early Redemption Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount

of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon.

6.04 ***Notice of Redemption:*** The appropriate notice referred to in Condition 6.03 is a notice given by the Issuer and signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer to the Trustee, the Principal Paying Agent, the London Paying Agent, the Registrar (but only in the case of Registered Notes) and the Holders of the Notes of the relevant Series, which notice shall specify:

(a) the Series of Notes subject to redemption;

(b) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes of the relevant Series which are to be redeemed;

(c) the due date for such redemption which shall be a Business Day (as defined in Condition 9C.03), which shall be not less than 30 days (or such lesser period as may be specified in the relevant Final Terms) after the date on which such notice is validly given; and

(d) the Call Early Redemption Amount at which such Notes are to be redeemed.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

6.05 ***Partial Redemption:*** If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6.03:

(a) in the case of Bearer Notes, the Notes to be redeemed shall be drawn by lot in such European city as the Trustee may specify, or identified in such other manner or in such other place as the Trustee may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed; and

(b) in the case of Registered Notes, the Notes shall be redeemed (so far as is practicable) *pro rata* to their principal amount, subject always to compliance with all applicable laws and the requirements of any stock exchange on which such Notes may be listed and *provided always* that the amount to be redeemed in respect of each Note shall be equal to the minimum denomination thereof or an integral multiple thereof.

6.06 ***Optional Early Redemption (Put):*** If this Condition 6.06 is specified in the relevant Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date or the next of the dates specified in the relevant Final Terms at its put early redemption amount (the "Put Early Redemption Amount") (which shall be its principal amount or such other Put Early Redemption Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than 45 days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Note (together with any unmatured Coupons

appertaining thereto) with any Paying Agent, together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents.

6.07 ***Purchase of Notes:*** To the extent permitted by applicable law, the Issuer may at any time purchase Notes in the open market, by tender, private agreement or otherwise and at any price *provided* that, in the case of interest-bearing Bearer Notes, all unmatured Coupons appertaining thereto are purchased therewith.

6.08 ***Cancellation of Redeemed and Purchased Notes:*** All unmatured Notes and Coupons redeemed or purchased in accordance with this Condition 6 may be cancelled forthwith at the option of the relevant Issuer and may be reissued or resold.

7. Events of Default; Enforcement and Indemnification

7.01 Unless otherwise specified in the relevant Final Terms, the following events or circumstances (each, an "Event of Default") shall be acceleration events in relation to the Notes of any Series, namely:

(a) *Non-payment:* the Issuer fails to pay any amount of interest due in respect of the Notes of the relevant Series or fails to pay any amount of principal on the due date for payment thereof due in respect of the Notes of the relevant Series and such failure shall continue for a period of 14 days; or

(b) *Breach of other obligations:* the Issuer defaults in the performance or observance of or compliance with any of its other obligations set out in the Notes of the relevant Series or the Trust Deed or the Agency Agreement and which is, in the opinion of the Trustee, incapable of remedy or which, being a default which is in the opinion of the Trustee capable of remedy, continues unremedied for 30 days after notice thereof has been delivered to the Issuer by the Trustee; or

(c) *Illegality:* the Trust Deed, the Agency Agreement or any Note shall for any reason cease to be binding upon and enforceable against the Issuer in accordance with their respective terms, or the binding effect or enforceability thereof shall be contested by the Issuer or the Issuer shall deny that it has any further liability or obligation under the Trust Deed or the Agency Agreement or in respect of any unpaid Note or it is or will become unlawful for either the Issuer to perform or comply with any one or more of its obligations under the Trust Deed or the Agency Agreement or any Note; or

(d) *Enforcement proceedings:* a distress, attachment (other than a penhora in respect of which (i) the period for filing a defence by the Issuer has not elapsed or (ii) a defence has been filed), execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days; or

(e) *Security enforced:* an encumbrancer takes possession of, or a receiver, manager, administrator, statutory manager (or other similar official) is appointed with respect to, the whole or a substantial part of the undertaking, property, assets or revenues of the Issuer; or

(f) *Insolvency:* the Issuer stops payment of its debts generally as and when they fall due, or the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or is generally unable to pay its debts as and when they fall due; or

(g) *Involuntary bankruptcy:* proceedings are initiated against the Issuer under any applicable bankruptcy, reorganisation, insolvency, moratorium or intervention law or law with similar effect, or under any other law for the relief of, or relating to, debtors and such proceedings are not stayed or otherwise terminated on or before 120 days after the commencement thereof, or an administrator, receiver, trustee or assignee for the benefit of the creditors (or other similar official) is appointed to take possession or control of any substantial part or all of the undertaking or assets of the Issuer; or

(h) *Voluntary bankruptcy:* the Issuer initiates or consents to proceedings relating to it under any applicable bankruptcy, reorganisation, insolvency or moratorium law or law with similar effect, or under any other law for the relief of, or relating to, debtors, or makes or enters into a conveyance, assignment, arrangement or composition with or for the benefit of its creditors, or appoints or applies for the appointment of an administrator, receiver, trustee or assignee for the benefit of creditors (or other similar official) to take possession or control of part or all of its undertaking or assets, or takes any proceeding under any law for a readjustment or deferment of Indebtedness (as defined below) or any substantial part of it; or

(i) *Winding up:* an order is made or an effective resolution passed for winding up the Issuer; or

(j) *Moratorium:* a moratorium is agreed or declared in respect of any material Indebtedness (as defined below) of the Issuer; or

(k) *Authorisations and consents:* any action, condition or thing (including obtaining or effecting any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes of the relevant Series, the Trust Deed and the Agency Agreement, (ii) to ensure that those obligations are legally binding and enforceable against the Issuer or (iii) to make the Notes of the relevant Series and the Trust Deed admissible in evidence in the courts of Brazil (including, without limitation, admissibility in any proceedings brought in such courts for the enforcement of a judgment obtained in the courts of another jurisdiction *provided* that such judgment satisfies all the conditions necessary under the laws of Brazil for the enforcement of foreign judgements, but excluding the translation into the Portuguese language of any documents intended to be admitted into evidence in any proceedings) is not taken, fulfilled or done or shall be revoked, withdrawn, modified or withheld or shall otherwise fail to remain valid and subsisting in full force and effect; or

(l) *Governmental action:* all or a substantial part of the assets, revenues or other property (whether tangible or intangible) of the Issuer shall be condemned, seized or otherwise appropriated, or custody of such assets, revenues or other property shall be assumed by any governmental authority or court or other person (as

defined in Condition 4) purporting to act under the authority of the government of any jurisdiction, or the Issuer shall be prevented from exercising normal control over all or a substantial part of its property (whether tangible or intangible) and such default is not remedied within 120 days after it occurs; or

(m) *Analogous events:* any event occurs which under the laws of Brazil or, where the Issuer is ABN AMRO Cayman, the Cayman Islands, has an effect analogous to any of the events referred to in paragraphs (e) through (j) above.

In this Condition 7.01:

"Indebtedness" means any obligation of the Issuer (whether present, future, actual or contingent) for the payment or repayment of money borrowed or raised in excess of U.S.$1,000,000.

"Issuer" means, in relation to any Notes or Tranche or Series of any Notes, the issuer of such Notes or of such Tranche or such Series (as identified in the relevant Final Terms), being either (i) the Bank, (ii) ABN AMRO Leasing or (iii) ABN AMRO Cayman.

7.02 If any Event of Default shall occur in relation to any Series of Notes, the Trustee may, and shall (subject to its rights under the Trust Deed to be indemnified to its satisfaction) if so requested in writing by the Holders not less than 25% in principal amount of the Notes then outstanding of the relevant Series or if so directed by an Extraordinary Resolution of the Holders of the Notes of the relevant Series, by written notice to the Issuer, declare that the Notes of such Series and all interest then accrued on such Notes shall be forthwith due and payable, whereupon the same shall become immediately due and payable at their early termination amount (the "Early Termination Amount") (which shall be their aggregate principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of a Series of Instalment Notes, the aggregate amount of all instalments that have become due and payable in respect of such Series of Notes under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon to the date of payment without presentment, demand, protest or other notice of any kind, all of which the Issuer expressly waives, anything contained in such Notes to the contrary notwithstanding, so long as, at the time of such notice, such Event of Default has not been waived by, or remedied to the satisfaction of, the Trustee.

7.03 The Trust Deed contains provisions to the following effect:

(a) at any time after the Notes of any Series become immediately due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it thinks fit to enforce repayment of the Notes of such Series (together with any accrued interest), but the Trustee shall not be bound to take any such proceedings unless (i) it has been requested to do so in writing by the Holders of not less than 25% in principal amount of the Notes of such Series then outstanding or has been so directed by an Extraordinary Resolution of the Holders of the Notes of such Series and (ii) it has been indemnified and/or secured to its satisfaction. No Holder of any Note or Coupon will be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails or neglects to take action against the Issuer within a reasonable time and such failure or neglect is continuing;

(b) on any enforcement pursuant to Condition 7.02, the Trustee shall be entitled to be indemnified for its liabilities, charges, claims, remuneration, costs and expenses incurred in priority to any claims of the Holders of the Notes of the relevant Series;

(c) the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances; and

(d) the Trustee will not be precluded from making any contracts or entering into any business transactions in the ordinary course of business with the Issuer, whether directly or through any subsidiary or associated company, or from owning in any capacity any Notes, and the Trustee will not be accountable to the Holders of any Notes for any profit resulting therefrom.

8. Taxation

8.01 ***Payments to be made free of taxes:*** All payments in respect of the Notes and Coupons will be made free and clear of, and without withholding for, or an account of, any taxes, duties, assessments or governmental charges (together, the "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Brazil or Japan or, in the case of Notes issued by ABN AMRO Cayman, the Cayman Islands, or any political subdivision thereof or any authority or agency therein or thereof having the power to tax unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holders of Notes or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no additional amounts shall be payable with respect to any Note or Coupon:

(a) to a Holder of a Note or Coupon (or to a third party on behalf of a Holder) who is liable to such Taxes in respect of such Note or Coupon by reason of it having some connection with Brazil or Japan or, in the case of Notes issued by ABN AMRO Cayman, the Cayman Islands, and/or any other jurisdictions to which it is subject other than the mere holding of such Note or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a Holder of a Note or Coupon who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

8.02 ***Meaning of "Relevant Date":*** "Relevant Date" means, in respect of any payment, the date on which such payment in respect thereof first becomes due and payable, but if the full amount of the moneys payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which notice is duly given to the Holders of Notes in accordance with Condition 14 that such moneys have been so received and are available for payment.

8.03 ***Meaning of "additional amounts":*** Any reference in these Conditions to "principal", "redemption amount" and/or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8.

9. Payments

9A. Payments — Bearer Notes

9A.01 This Condition 9A applies in relation to Bearer Notes.

9A.02 ***Principal in respect of Bearer Notes:*** Payment of amounts (other than interest) due in respect of Bearer Notes will be made to the Holder against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents (unless Condition 9A.04 applies) outside the United States.

9A.03 ***Interest in respect of Bearer Notes:***

(a) in the case of Bearer Notes without Coupons attached at the time of their initial delivery, against presentation of the relevant Bearer Notes at the specified office of any of the Paying Agents (unless Condition 9A.04 applies) outside the United States; and

(b) in the case of Bearer Notes delivered with Coupons attached at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Bearer Notes, in either case at the specified office of any of the Paying Agents (unless Condition 9A.04 applies) outside the United States.

9A.04 ***Payments in the United States:*** Payments of amounts due in respect of interest on the Bearer Notes will not be made at the specified office of any Paying Agent in the United States unless:

(a) payment in full of amounts due in respect of principal and/or interest on such Bearer Notes when due at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and

(b) such payment or exchange is permitted by applicable United States law.

If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint an additional Paying Agent with a specified office in New York City.

9A.05 ***Payments in respect of Bearer Notes on business days:*** If the due date for payment of any amount due in respect of any Bearer Note or Coupon is not a Relevant Financial Centre Day (as

defined in Condition 9C.03) and a local banking day (as defined in Condition 9C.03) and a Tokyo Business Day (as defined in Condition 9C.03), the Holder thereof shall not be entitled to payment thereof until the next day which is both a Relevant Financial Centre Day and a local banking day falling on or after the next following Tokyo Business Day nor to any interest or other sum in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 5D.05.

9A.06 ***Unmatured Coupons:*** Each Bearer Note initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:

(a) in the case of Bearer Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within 10 years of the Relevant Date applicable to payment of such final redemption amount; and

(b) in the case of Bearer Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons relating to such Bearer Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (a) of this Condition 9A.06 notwithstanding, if any Bearer Notes which bear interest at a fixed rate or fixed rates should be issued with a maturity date and/or a fixed rate or fixed rates such that, on the presentation for payment of any such Bearer Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (a) to be deducted from the amount to be paid on redemption would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Bearer Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (a) in respect of such Coupons as have not so become void, the amount required by paragraph (a) to be deducted shall not be greater than the amount otherwise due for payment. Where some but not all of the unmatured Coupons relating to a Bearer Note consequently become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

9A.07 ***Meaning of "United States":*** For the purposes of these Conditions, the "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

9A.08 ***Methods of payment in respect of Bearer Notes:*** Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Bearer Notes will be made by (a) transfer to an account in the relevant currency specified by the payee or (b) cheque.

9B. Payments — Registered Notes

9B.01 This Condition 9B is applicable in relation to Registered Notes.

9B.02 ***Payments of principal and interest in respect of Registered Notes:*** Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest (if any)) due in respect of Registered Notes on the final redemption of Registered Notes will be made to the Holder against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Registered Notes at the specified office of the Registrar or any Paying Agent. If the due date for payment of the final redemption amount of any Registered Note is not a Relevant Financial Centre Day (as defined in Condition 9C.03) and a local banking day (as defined in Condition 9C.03) and a Tokyo Business Day (as defined in Condition 9C.03), the Holder thereof shall not be entitled to payment thereof until the next day which is both a Relevant Financial Centre Day and a local banking day falling on or after the next following Tokyo Business Day nor to any interest or other sum in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 5D.05.

9B.03 ***Payments to Holders of Registered Notes:*** Payment of amounts (whether principal, redemption amount, interest or otherwise) due in respect of Registered Notes (other than in respect of the final redemption of Registered Notes) will be paid to the Holder thereof, as appearing in the Register at the opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment (the "Record Date").

9B.04 ***Methods of payment in respect of Registered Notes:*** Payments of amounts (whether principal, redemption amount, interest or otherwise) due in respect of Registered Notes (other than in respect of the final redemption of Registered Notes) will be made by cheque in the relevant currency drawn on a bank in the Relevant Financial Centre and posted to the address (as recorded in the Register) of the Holder thereof not later than the relevant date for payment unless, not less than 15 days prior to the relevant Record Date, the Holder thereof has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account with a bank in the Relevant Financial Centre in the relevant currency.

9C. Payments — General Provisions

9C.01 Save as otherwise specified herein, this Condition 9C applies in relation to both Bearer Notes and Registered Notes.

9C.02 ***Payments subject to fiscal or other laws:*** Payments in respect of Bearer Notes and Registered Notes will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

9C.03 ***Definitions:*** For the purposes of these Conditions:

(a) "Business Day" means:

(i) in relation to Notes payable in euro, a day (other than a Saturday or Sunday) which is a TARGET Business Day (as defined below);

(ii) in relation to Notes payable in any other currency, a day (other than a Saturday or Sunday) on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant Notes;

and, in either case, on which banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;

(b) "London Banking Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

(c) "Relevant Financial Centre" means, in relation to any currency other than euro, London or such other or additional financial centre or centres as may be specified in the relevant Final Terms and, in relation to euro, means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Determination Agent and Tokyo;

(d) "Relevant Financial Centre Day" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the relevant Final Terms and, in the case of any payment in euro, a Business Day as defined in this 9C.03;

(e) "TARGET Business Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor thereto, is open;

(f) "local banking day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business and foreign exchange markets settle payments in the place of presentation of the relevant Note or, as the case may be, Coupon; and

(g) "Tokyo Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business and foreign exchange markets settle payments in Tokyo,

and, in the case of any of paragraphs (a) to (g) of this Condition 9C.03, as the same may be modified in the relevant Final Terms.

9C.04 ***Commissions:*** No commissions or expenses shall be charged to the Holders by any Paying Agent or the Registrar in respect of any payment of principal, redemption amount, interest or otherwise in respect of the Notes.

9C.05 ***Payment to Principal Paying Agent:*** The receipt by the Principal Paying Agent from the Issuer of each payment in whole of principal, redemption amount and/or interest then due in respect of any Notes in the manner specified in the Agency Agreement and on the date on which such amount of principal, redemption amount and/or interest is due under the Notes shall satisfy the obligation of the Issuer under such Notes to make such payment on such date; *provided* that, in the event that there is a default by the Principal Paying Agent in any payment to any Paying Agent or by any Paying Agent in any

payment of principal or interest on the Notes to any Holder of Notes or Coupons in accordance with these Conditions, the Issuer shall pay on demand such additional amounts as will result in receipt by such Holder of Notes or Coupons of such amount as would have been received by it had no such default occurred.

10. Redenomination, Renominalisation and Reconventioning

10.01 ***Definitions:*** In these Conditions:

(a) "Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities, as amended (the "Treaty"); and

(b) "Specified Currency" has the meaning given in the relevant Final Terms.

10.02 ***Application:*** This Condition is applicable to Notes only if it is specified in the relevant Final Terms as being applicable.

10.03 ***Notice of redenomination:*** If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Holders of Notes and Holders of Coupons, on giving at least 30 days' prior notice to the Paying Agents, designate a date (the "Redenomination Date"), being an Interest Payment Date under such Notes falling on or after the date on which such country becomes a Participating Member State.

10.04 ***Redenomination:*** Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(a) Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided*, *however*, that, if the Issuer determines, with the agreement of the Trustee that market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Holders of Notes and Coupons, each stock exchange (if any) on which Notes are then listed and the Paying Agents of such deemed amendments;

(b) if Notes have been issued in definitive form:

(A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "Euro Exchange Date") on which the Issuer gives notice (the "Euro Exchange Notice") to the Holders of Notes that replacement Notes and Coupons denominated in euro are available for exchange (*provided* that such Notes and Coupons are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 10) shall remain in full force and effect; and

(C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Trustee may specify and as shall be notified to the Holders of Notes in the Euro Exchange Notice; and

(c) all payments in respect of Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by a bank in the principal financial centre of any Member State of the European Communities.

10.05 ***Interest:*** Following redenomination of Notes pursuant to this Condition 10, where Notes have been issued in definitive form, the amount of interest due in respect of such Notes will be calculated by reference to the aggregate principal amount of such Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

10.06 ***Interest Determination Date:*** If the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Business Day before the first day of the relevant Interest Period.

11. Prescription

Claims against the Issuer in respect of Notes and Coupons shall be prescribed and will become void unless made within 10 years in the case of principal and 5 years in the case of interest from the appropriate Relevant Date in respect thereof.

12. The Agents

12.01 ***The Agents:*** The initial Principal Paying Agent, Paying Agents, Determination Agent, Transfer Agents and the Registrar and their respective initial specified offices are specified below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent (including the London Paying Agent and Principal Paying Agent), Determination Agent, Transfer Agent or the Registrar and to appoint additional or other Paying Agents, Transfer Agents, Determination Agent or another Principal Paying Agent, London Paying Agent or Registrar; *provided* that it will at all times maintain (a) a London Paying Agent having its specified office in London, (b) a Principal Paying Agent having its specified office in Japan, (c) in the case of Registered Notes, a Registrar with a specified office in New York City, (d) so long as any Notes are listed on Euronext Amsterdam and/or any other stock exchange, a Paying Agent and a Transfer Agent with a specified office in Amsterdam and/or in such other place as may be required by such other stock exchange, (e) in the circumstances described in Condition 9A.04, a Paying Agent with a specified office in New York City, and (f) a Paying Agent in an European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive

implementing the conclusions of the ECOFIN Council meeting of November 26-27 or any law implementing or complying with, or introduced in order to conform to, such Directive. The Principal Paying Agent, the London Paying Agent, Paying Agents, the Transfer Agents and the Registrar reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Principal Paying Agent, Paying Agents, the Transfer Agents and the Registrar will be given promptly by the Issuer to the Holders of the Notes in accordance with Condition 15.

12.02 ***Agents as agents of the Issuer:*** The Principal Paying Agent, the London Paying Agent, the Paying Agents, the Transfer Agents and the Registrar act solely as agents of the Issuer (or, pursuant to Clause 18.01 of the Agency Agreement, the Trustee) and, save as provided in the Agency Agreement, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon them in the Agency Agreement or incidental thereto.

13. Replacement of Notes

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the London Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the relevant Final Terms (in the case of Bearer Notes and Coupons) and/or of the Registrar (in the case of Registered Notes), subject to all applicable laws and the requirements of any stock exchange on which the relevant Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the London Paying Agent, the Paying Agents or, as the case may be, the Registrar may require. Any replacement Note will bear a notation stating the serial number of the Note which it replaces or is deemed to replace and, in the case of an Instalment Note, a record of the amount and date of each payment made prior to the date of the replacement in respect of the Instalment Note to be replaced (as evidenced by the notations on the schedule of payments endorsed on the Instalment Note to be replaced or, if such Instalment Note has been lost, stolen or destroyed, the payment records of the London Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes) will be noted by or on behalf of the London Paying Agent or such Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) issuing such replacement Note on the schedule of payments endorsed thereon. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

14. Meetings of Holders of Notes; Modification and Waiver

14.01 ***Meetings of Holders of Notes:*** The Trust Deed contains provisions for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interests, including (without limitation) the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Conditions insofar as the same may apply to such Notes. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Notes of such Series. The Trust Deed contains provisions for the convening of a single meeting of Holders of Notes of more than one Series where the Trustee so decides.

14.02 ***Modification and Waiver:*** The Trustee may agree without the consent of the Holders to any modification (except as aforesaid) of, or to the waiver or authorisation of any breach or prospective breach by the Issuer of, any provision of the Trust Deed or the Notes which, in the opinion of the Trustee is not materially prejudicial to the interests of the Holders of the Notes of the relevant Series or to any modification which is necessary to correct a manifest error or which is of a formal, minor or technical

nature. Any such modification, waiver or determination shall be binding on all Holders of Notes and Coupons of such Series and any such modification shall, unless the Trustee agrees otherwise, be notified to the Holders of the relevant Notes in accordance with Condition 15 as soon as practicable thereafter.

14.03 ***Entitlement of the Trustee:*** In connection with the exercise of its trusts, authorities, powers and discretions (including, but not limited to, those in relation to any proposed modification, waiver, authorisation or determination as aforesaid), the Trustee shall have regard to the interests of the Holders of the Notes of a Series as a class and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

15. Notices

15.01 ***To Holders of Bearer Notes:*** Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified in the relevant Final Terms, be deemed to be validly given if delivered to Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme for communication by them to the persons shown in their records as having interests in such Bearer Notes and published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe *provided* that, in the case of Bearer Notes listed on Euronext Amsterdam, such notice shall be published in the Official Price List of Euronext Amsterdam N.V. or, in the case of Bearer Notes listed on another stock exchange, the requirements of such other stock exchange have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

15.02 ***To Holders of Registered Notes:*** Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day *provided* that, in the case of Registered Notes listed on Euronext Amsterdam, such notice shall be published in the Official Price List of Euronext Amsterdam N.V. or, in the case of Registered Notes listed on another stock exchange, the requirements of such other stock exchange have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication). Holders of Coupons will be deemed to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

16. Provision of Information

For so long as any Registered Notes of a Series remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder of, or beneficial owner of an interest in, such Registered Notes and to any prospective purchaser of such Notes designated by such Holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act and otherwise will comply with the requirements of such Rule 144A(d)(4).

17. Further Issues

The Issuer may, from time to time without the consent of the Holders of any Notes create and issue further instruments, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

18. Currency Indemnity

The currency in which the Notes of any Series are denominated or, if different, payable, as specified in the relevant Final Terms(s) (the "Contractual Currency"), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes of such Series, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon of such Series in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the immediately following day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the city or town in which the relevant bank or the relevant branch or office thereof to which such payment is to be made is located). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

19. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

20. Law and Jurisdiction

20.01 ***Governing Law:*** The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.

20.02 ***Jurisdiction:*** The Issuer has in the Trust Deed (i) agreed for the benefit of Holders of the Notes that the courts of England and the courts of the State of New York and the federal courts of the United States of America, in each case sitting in the Borough of Manhattan, City of New York, and any appellate court from any such courts shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the

jurisdiction of such courts; (a) waived any objection which it might have to the above courts being nominated as the forum to hear and determine any Proceedings and to settle any Disputes; (b) agreed not to claim that any such court is not a convenient or appropriate forum; (c) consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings; (d) agreed that, to the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), it will not claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and, in particular, to the intent that in any Proceedings taken in New York the foregoing waiver of immunity shall have the fullest scope permitted under the United States of America Foreign Sovereign Immunities Act of 1976 and is intended to be irrevocable for the purposes of such Act; and (e) agreed that the process by which any Proceedings are begun may be served on it by being delivered (i) in connection with any Proceedings in England, to ABN AMRO Bank N.V., London Branch at 250 Bishopsgate, London EC2M 4AA or at any other address for the time being at which process may be served on it in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time) and (ii) in connection with any Proceedings in New York, to ABN AMRO Bank N.V. at 55 East 52nd Street, New York, New York 10055 (marked for the attention of the legal department) or its other principal place of business in the Borough of Manhattan, City of New York, for the time being. If the appointment of either of the persons mentioned above ceases to be effective, the Issuer shall forthwith appoint a further person in England or (as the case may be) the Borough of Manhattan, City of New York, to accept service of process on its behalf and notify the name and address of such person to the London Paying Agent, the Registrar and the Trustee and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by notice to the Issuer. Nothing in this paragraph shall affect the right of any Holders of Notes to serve process in any other manner permitted by law. The submission to the jurisdiction of the above courts shall not (and shall not be construed so as to) limit the right of any Holders of Notes to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

USE OF PROCEEDS

Unless otherwise specified in the Final Terms relating to any Tranche of Notes, it is intended that the net proceeds of any issue of Notes under the Programme by the Bank will be used by the Bank for its general corporate purposes in Brazil. Unless otherwise specified in the Final Terms relating to any Tranche of Notes, the net proceeds of any issue of Notes under the Programme by ABN AMRO Leasing will be used by ABN AMRO Leasing to finance its leasing operations. Unless otherwise specified in the Final Terms relating to any Tranche of Notes, the net proceeds of any issue of Notes under the Programme by ABN AMRO Cayman will be used by ABN AMRO Cayman for the Bank's general corporate purposes in Brazil.

TAXATION

United States Taxation

The following discussion is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax penalties, and was written to support the promotion or marketing (within the meaning of Internal Revenue Service Circular 230) of the Notes discussed below. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of the principal U.S. federal tax consequences resulting from the beneficial ownership of Registered Notes by a U.S. Holder (as defined below). This summary does not purport to consider all the possible U.S. federal tax consequences of the purchase, ownership or disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. It deals only with Notes and currencies or composite currencies other than U.S. Dollars ("Non-U.S. Currency") held as capital assets. Moreover, except as expressly indicated, it does not addresses all of the issues that may be relevant to U.S. Holders subject to special rules such as tax-exempt entities, banks, dealers in securities or currencies, traders electing mark-to-market treatment of Notes, Notes (or Non-U.S. Currency) held as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Note and one or more other investments, investors entering into "constructive sale" transactions with respect to Notes or situations in which the functional currency of the beneficial owner is not the U.S. Dollar. This summary is not applicable to non-U.S. persons not subject to U.S. federal income tax on their world-wide income. The summary is based upon the U.S. federal tax laws and regulations as are in effect on the date of this Base Prospectus and as currently interpreted and does not take into account possible changes in such tax laws or such interpretations, any of which may be applied retroactively. It does not include any description of the tax laws of any U.S. state or local or non-U.S. governments that may be applicable to the Notes or Holders thereof. Persons considering the purchase of Notes should consult their own tax advisors concerning the application of the U.S. federal tax laws to their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

For purposes of this section "United States Taxation", a U.S. Holder is a beneficial owner of a Note who or which is for U.S. federal income tax purposes: (i) a citizen or resident alien of the United States; (ii) a corporation created or organised under the laws of the United States or any State thereof (including the District of Columbia); or (iii) a person or entity otherwise subject to U.S. federal income taxation on its world-wide income.

Interest

Payments of interest on a Note that are not subject to the rules described under "Original Issue Discount" below generally will be taxable to a U.S. Holder as ordinary income at the time such payments are accrued or are received (in accordance with the U.S. Holder's method of accounting for U.S. tax purposes) and should be foreign-source income to the holder for U.S. federal income tax purposes. The amount of interest on a Note denominated in a Non-U.S. Currency (a "Non-U.S. Dollar Note") that must be included in income of a U.S. Holder will be the U.S. Dollar value of the interest payment as at the time that such payment is accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. tax purposes. The exchange rate to be used for U.S. federal income tax purposes to convert Non-U.S. Currency denominated interest payments into U.S. Dollars for U.S. Holders that uses an accrual method of accounting for tax purposes is required to accrue interest income on a Non-U.S. Dollar Note at the "average rate of exchange" for the period or periods during which such interest accrued unless an election is made to translate interest income at the spot rate on the last day of the interest accrual period

(and in the case of an accrual period extending beyond the end of a taxable year with respect to the portion ending in the taxable year, the spot rate on the last day of the taxable year). Such an election will apply to all debt instruments held or acquired by the U.S. Holder on or after the beginning of the first taxable year to which the election applies and may not be revoked without the consent of the U.S. Internal Revenue Service ("IRS"). A U.S. Holder that accrues interest income on a Non-U.S. Dollar Note will recognise foreign currency gain or loss, as the case may be, on the receipt of an interest payment (or upon the disposition of a Note with respect to any portion of the proceeds representing accrued interest) if the spot rate on the date the payment is received differs from the spot rate applicable for the accrual period (determined in the manner described above). A U.S. Holder that converts Non-U.S. Currency on the date it is received will generally not be subject to further foreign currency gain or loss with respect to the payment. Foreign currency gain or loss will be treated as ordinary income or loss and generally will be U.S.-source income for U.S. federal income tax purposes.

Original Issue Discount

Notes with a term greater than one year may be issued with original issue discount ("OID") for federal income tax purposes. Generally, OID will arise if the stated redemption price at maturity (normally the principal amount) of a Note exceeds its issue price by more than a *de minimis* amount. For this purpose, the issue price of a Note is the first price at which a substantial amount of Notes of the Series of which it is a part are sold for money (disregarding sales to bond houses, brokers or similar persons). U.S. Holders acquiring Notes at original issue for an amount that differs from the issue price should consult their own tax advisers concerning the treatment of the resulting premium or discount. A Note may also be treated as having OID if it provides for payments of interest other than "qualified stated interest", *i.e.*, interest payable unconditionally at least annually at a single fixed, qualified floating, or objective interest rate throughout its entire term, unless the amount that would be treated as OID does not exceed a *de minimis* amount. If a Note is issued with OID, a U.S. Holder of the Note will be required to include amounts in gross income for federal income tax purposes under a "constant yield" method that will result in inclusion of amounts in advance of receipt of the cash payments to which such amounts are attributable.

OID on a Non-U.S. Dollar Note will be determined for any accrual period in the foreign currency in which the Note is denominated and then translated into U.S. Dollars in the same manner as interest income accrued by a U.S. Holder on the accrual basis, as described above. Likewise, a U.S. Holder will recognise foreign currency gain or loss when the OID is paid to the extent of the difference between the U.S. Dollar value of such payment (determined by translating the foreign currency into U.S. Dollars at the spot rate for foreign currency on the date received) and the U.S. Dollar value of the accrued OID included in income.

Certain of the Notes: (a) may be redeemable at the option of the Issuer prior to their stated maturity (a "call option"); and/or (b) may be repayable at the option of the Holder prior to their stated maturity (a "put option"). Notes containing such features may be subject to rules that differ from the general rules discussed above. Investors intending to purchase Notes with such features should consult their tax advisers, since the original issue discount consequences will depend, in part, on the particular terms and features of the purchased Notes.

Short-Term Notes

In general, U.S. Holder of a short-term Note (*i.e.*, a Note with a maturity of not more than one year) that uses a cash method of accounting for U.S. tax purposes is not required to accrue OID on the Note unless it elects to do so (but may be required to include any stated interest in income as the income is received). An election by a cash basis U.S. Holder applies to all short-term obligations acquired on or after the beginning of the first taxable year to which the election applies, and for all subsequent taxable years

unless consent is secured from the IRS to revoke the election. U.S. Holders that use an accrual method of accounting for U.S. tax purposes and certain other U.S. Holders, and cash basis U.S. Holders who so elect, are required to accrue OID on short-term Notes on either a straight-line basis or under the constant yield method (based on daily compounding), at the election of the U.S. Holder. Short-term notes that are not denominated in U.S. dollars are subject to the runes described under "Interest" regarding payment of Non-U.S. Dollar Notes. In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the short-term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on short-term Notes will be required to defer deductions for interest on borrowings allocable to short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note, including stated interest, are included in the short-term Note's stated redemption price at maturity.

Election to Treat All Interest as OID

A U.S. Holder may elect to treat all interest on any Note as OID and calculate the amount includable in gross income under the constant yield method described above. The election is to be made for the taxable year in which the U.S. Holder acquired the Note, and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisers regarding the desirability and consequences of this election.

Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a premium and will not be required to include any OID in income. A U.S. Holder generally may elect to amortise the bond premium over the remaining term of the Note under a constant yield method. The amount amortised in any year will be treated as a reduction of the U.S. Holder's interest income from the Note. In the case of a Non-U.S. Dollar Note, the amount of bond premium will be measured in the foreign currency in which the Note is denominated and will reduce the amount of interest income that is required to be translated into U.S. Dollars in any accrual period. Bond premium on a Note held by a U.S. Holder that does not make such an election will be recognised as a loss when the Note matures or will decrease the gain or increase the loss otherwise recognised on disposition of the Note. Once made, the election to amortise the bond premium on a constant yield method applies to all debt obligations held or subsequently acquired by the electing holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Effect of Withholding Taxes

If payments of stated interest and OID on Notes are subject to foreign withholding taxes, a U.S. Holder generally will be required for U.S. federal income tax purposes to include in U.S. taxable income as interest income (in accordance with the holder's usual method of accounting) the amount of all taxes being withheld by the Issuer from such payments to the U.S. Holder, along with the payments of stated interest and any OID with respect to the Notes. A U.S. Holder may be entitled to claim a tax credit for and in the amount of such taxes against his U.S. federal income tax liability, subject to certain limitations. For purposes of computing the foreign tax credit under U.S. tax laws, interest income on such a Note (including withheld taxes, stated interest and any discount) will constitute foreign source income. The

limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. A U.S. Holder claiming a credit may be required by the IRS to produce tax receipts or other adequate documentation of the payment of the withholding tax. The Issuer will make copies of such documentation available to U.S. Holders upon request. In lieu of claiming a tax credit, a U.S. Holder may be entitled to deduct from his taxable income such amounts of taxes withheld from payments to him. However, a deduction may be claimed only if the U.S. Holder does not claim any foreign tax credits for that year. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal tax consequences of payments by the Issuer of Brazilian or Cayman Islands withholding tax or other taxes and of the payment of additional amounts. See "Brazilian Taxation" and "Cayman Islands Taxation".

Sale, Exchange and Retirement of Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise gain or loss equal to the difference between the U.S. Dollar value of the amount realised upon the sale, exchange or retirement (other than amounts attributable to accrued interest, which will be taxable as such) and the adjusted tax basis of the Note. A U.S. Holder's tax basis in a Note will, in general, be the U.S. Holder's U.S. Dollar cost therefor, increased by any OID previously included in income by the U.S. Holder. For purposes of the U.S. foreign tax credit limitations, gain or loss realised by a U.S. Holder on the sale, exchange or retirement of a Note generally will be treated as U.S. source gain or loss. Except as described below with respect to foreign currency gain or loss, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, at the time of sale, exchange or retirement, the Note has been held for more than one year. Under current law, net capital gains of non-corporate U.S. Holders are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

A U.S. Holder may recognise foreign currency gain or loss on the sale, exchange or retirement of a Non-U.S. Dollar Note measured by the difference between the U.S. Dollar value of the principal of the Note at the time of the sale, exchange or retirement and the U.S. Dollar value of the principal of the Note at the time it was acquired by the U.S. Holder. However, the amount of any such gain or loss will be limited to the overall gain or loss realised on the sale, exchange or retirement.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on Notes and the proceeds from the sale, exchange or other disposition of Notes unless the U.S. Holder establishes it is exempt from the application of the information reporting rules. If the U.S. Holder does not establish this exemption, the U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is furnished to the IRS.

Brazilian Taxation

The following summary is based upon tax laws of Brazil as in effect on the date of this Base Prospectus and is subject to any change in Brazilian law that may come into effect after such date. Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences under the tax laws of the country of which they are residents, of a purchase of Notes, including, but not limited to, the consequences of receipt of interest and sale or redemption of Notes or Coupons. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences of an investment in the Notes.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Notes will depend on the origin of such payments and the domicile of the recipient of such payments.

Brazilian residents and Brazilian companies are taxed on the basis of their world-wide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates).

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, company, entity, trust or organisation domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, are currently subject to income tax withheld at source. The rate of withholding tax with respect to debt obligations is generally 15%, as provided for in Section 10 of the Normative Act No. 252 of 3 December 2002 ("Normative Act No. 252/02"). According to Normative Act No. 252/02, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (as defined by Brazilian tax law from time to time), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are also subject to the Brazilian withholding tax at the rate of 15%. However, pursuant to Section 8 of Law No. 9,779 of 19 January 1999, if the relevant average term of a Note is less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25% (Article 691, IX of Decree No, 3,000, of 26 March 1999 and Article 1, IX of Law No. 9,481, of 13 August, 1997). It is possible that the tax authorities may change the interpretation of the law so that the 25% rate referred to above is to be applied to a beneficiary domiciled in a tax haven jurisdiction notwithstanding the maturity of the Note. Lower rates may also apply in the event that there is an applicable tax treaty between Brazil and such other country where the recipient of the payment has its domicile.

Brazil and Japan are signatories to a treaty (the "Japan Treaty") for the avoidance of double taxation. Under the Japan Treaty, payments of interest or other type of income deemed similar to income from borrowed funds under Brazilian law to entities incorporated in Japan (or a branch thereof) will be subject to a Brazilian withholding tax at the rate of 12.5%. So long as payments of interest are made by the Issuer to the Paying Agent pursuant to the terms and conditions of the Notes and *provided further* that such Paying Agent is a tax resident of Japan and is qualified to benefit under the Japan Treaty, such payments will be subject to a Brazilian withholding tax at a rate of 12.5%. If the Issuer is not able to rely on such treaty to make the payments, any such payments in respect of the Notes will be subject to the Brazilian withholding tax at the rates indicated in the previous paragraph.

Accordingly, all payments by the Bank or by ABN AMRO Leasing in respect of interest and (so far as it relates to original issue discount on the Notes of each Tranche) principal or other redemption amount under the Notes (other than under Notes issued before January 1, 2000 with a tenor of eight years or more and which are not redeemed prior to eight years from their date of issue) are subject to withholding of Brazilian income tax.

In any event and in accordance with the Conditions, the Bank or ABN AMRO Leasing is required to pay such additional amounts as will result in the receipt by the Noteholder of such amounts as would have been received by such Noteholder had no such withholding or deduction been required, subject to certain restrictions. Brazilian tax laws expressly authorise the paying source to pay the income or earnings net of taxes and, therefore, to assume the cost of the applicable tax.

Gains on the sale or disposal of the Notes made outside of Brazil by a non-resident, other than a branch, subsidiary or affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. However, Article 26 of Law No. 10,833,

enacted on 29 December 2003 ("Law 10,833"), which came into force on 1 February 2004, established that capital gains realised on the disposition of assets located in Brazil by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, is subject to taxation in Brazil. Although the Bank or ABN AMRO Leasing do not believe that the Notes will fall within the definition of assets located in Brazil for purposes of Law 10,833, there can be no assurance whether such interpretation will ultimately prevail.

Except as disclosed in the preceding paragraph, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil, nor any inheritance, gift or succession tax applicable to the Notes, except for gift and inheritance tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed by certain Brazilian states on gifts, inheritance and bequests of individuals or entities domiciled or residing within such Brazilian state.

Cayman Islands Taxation

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note or Coupon, and gains derived from the sale of Notes or Coupons will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;

(ii) the holder of any bearer Note or Coupon (or the legal personal representative of such holder) whose bearer Note or Coupon is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such bearer Note or Coupon; and

(iii) Registered Notes evidencing a Note to which title is not transferable by delivery will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note if brought into or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Netherlands Taxation

Dutch Resident Holders

Holders of the Notes who are individuals and are resident or deemed to be resident in The Netherlands, or who have elected to be treated as a Dutch resident Holder for Dutch tax purposes (the "Dutch Holders"), are subject to Dutch income tax on a deemed return regardless of the actual income derived from the Notes or gain or loss realised upon disposal or redemption of the Notes, *provided* that the Notes are held as a portfolio investment and are not held in the context of any business or substantial interest. The deemed return amounts to 4% of the average value of the Dutch Holder's net assets in the relevant fiscal year (including the Notes) and is taxed at a flat rate of 30%.

Corporate Dutch Holders that are resident or deemed to be resident in The Netherlands, without being exempt from Dutch corporate tax, will be subject to Dutch corporate tax on all income and gains realised in connection with the Notes.

European Directive on the Taxation of Savings

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, including the Netherlands and the Cayman Islands, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such person for, an individual resident in one of those territories.

Effect of Withholding Taxes for Dutch Holders

If payments of stated interest and OID on Notes are subject to foreign withholding taxes, a Dutch Holder generally will be required for Dutch income tax purposes to include in his taxable income as interest income the amount of all taxes being withheld by the Issuer from such payments to the Dutch Holder, along with the payments of stated interest and any OID with respect to the Notes. A Dutch Holder may be entitled to claim a tax credit for and in the amount of such taxes against his Dutch income tax liability, subject to certain limitations. The limitation on foreign taxes eligible for credit are different for Dutch Holders being individuals, holding the Notes as a portfolio investment, holding Notes in the context of any business or substantial interest and corporate Dutch Holders. A Dutch Holder claiming a credit may be required by the Dutch tax authorities to produce tax receipts or other adequate documentation of the payment of the withholding tax. The Issuer will make copies of such documentation available to Dutch Holders upon request. In lieu of claiming a tax credit, a Dutch Holder may be entitled to deduct from his taxable income such amounts of taxes withheld from payments to him. Dutch Holders are urged to consult their tax advisers regarding the Dutch tax consequences of payments by the Issuer of Brazilian or Cayman Islands withholding tax or other taxes and of the payment of additional amounts. See "Brazilian Taxation" and "Cayman Islands Taxation".

SUBSCRIPTION AND SALE

Notes may be issued and sold from time to time by the Bank, ABN AMRO Leasing or ABN AMRO Cayman to any one or more of ABN AMRO Bank N.V. or to any other Dealer appointed from time to time. The arrangement under which Notes may from time to time be agreed to be issued and sold by the Bank, ABN AMRO Leasing or ABN AMRO Cayman and purchased by the Dealer(s) (or other purchasers) are set out in a dealer agreement dated 8 August 1995, as amended and restated on 2 August 2005 (the "Dealer Agreement") and made between the Bank, ABN AMRO Leasing, ABN AMRO Cayman and ABN AMRO Bank N.V. as Arranger and Dealer. Any such agreement will inter alia make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Bank, ABN AMRO Leasing or ABN AMRO Cayman in respect of such purchase. The Dealer Agreement makes provision for the resignation or replacement of existing Dealer(s) and the appointment of additional or other Dealers.

General

No action has been or will be taken in any jurisdiction by any of the Issuers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus and any Final Terms comes are required by the Issuers and Dealers to comply with all laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Each of the Issuers and the Dealer(s) has confirmed that, in relation to each issue of Notes, they will comply with all such applicable laws, regulations and market or other regulatory guidelines as are in force from time to time and which are relevant in the context of the issue of such Notes, including, without limitation, any relevant maturity requirements and minimum denomination requirements applicable to such issue, and shall submit (or procure the submission) of such reports or information as may from time to time be required for compliance with such laws, regulations and market or other regulatory guidelines.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

(1) Each Dealer will represent and agree that it has not offered and sold Notes and will not offer and sell Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Tranche of which such Notes are a part, as determined and certified to the Registrar by the relevant Dealer (or in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), except in accordance with Rule 903 of Regulation S under the Securities Act or in the case of offers and sales by any Dealer (through one or more of its affiliates), except as provided in paragraph (2) below. Accordingly, each Dealer will represent and agree that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Notes, and it and they have complied and will comply with the offering restrictions requirements of

Regulation S. Each Dealer will agree that, at or prior to confirmation of sale of Notes (other than sale of Notes in registered form pursuant to paragraph (2) below), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Notes covered hereby have not been registered under the United States Securities Act of 1933 as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Notes of which such Notes are a part, as determined and certified by [Name of Dealer or Dealers, as the case may be], except in either case in accordance with Regulation S under, or pursuant to an available exemption from, the registration requirements of, the Securities Act. Terms used above have the meaning given to them by Regulation S".

Terms used in this paragraph (1) have the meanings given to them by Regulation S.

Each Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, each of such Dealers, as to Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have certified as provided in this paragraph) who has purchased Notes of any Tranche in accordance with the Dealer Agreement will agree to determine and certify to the Principal Paying Agent or the Issuer the completion of the distribution of such Tranche of Notes as aforesaid. In order to facilitate compliance by each Dealer with the foregoing, the Issuer will agree that, prior to such certification with respect to such Tranche, it will notify each relevant Dealer in writing of each acceptance by the Issuer of an offer to purchase and of any issue of, Notes or other debt obligations of the Issuer which are denominated in the same currency or composite currency and which have substantially the same terms and maturity date as the Notes of such Tranche.

(2) Each Dealer will represent and agree that it and any person acting on its behalf has not and will not, acting either as principal or agent, offer or sell any Notes in the United States or to, or for the account of, a U.S. person other than Notes in registered form bearing a restrictive legend thereon, and it has not and will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes (or approve the resale of any of such Notes) in the United States:

(a) except (A) through a U.S. broker or dealer that is registered under the United States Securities Exchange Act of 1934 (the "Exchange Act") to institutional investors each of which such Dealer reasonably believes (i) is a "qualified institutional buyer" (as defined in Rule 144A thereunder), or a fiduciary or agent purchasing Notes for the account of one or more qualified institutional buyers, and (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Notes or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience or (B) otherwise in accordance with the restrictions on transfer set forth in such Notes, the Dealer Agreement, the Offering Circular and in the relevant Final Terms; or

(b) in a denomination of less than U.S.$100,000; or

(c) by means of any form of general solicitation or general advertisement (as those terms are used in Rule 520(c) under the Securities Act), including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Notes pursuant to this paragraph (2) in registered form bearing a restrictive legend thereon, the selling Dealer shall have provided each offeree that is a U.S. person (as defined in Regulation S) with a copy of the Base Prospectus in the form the Issuer and the Dealers shall have agreed most recently shall be used for offers and sales in the United States together with the related Final Terms.

Each Dealer will represent and agree that in connection with each sale to a qualified institutional buyer it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of Notes are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act.

(3) The Bearer Notes are also subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer Notes to the public in that Relevant Member State:

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

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

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than

EUR43,000,000 and (3) an annual turnover of more than EUR50,000,000, all as shown in its last annual or consolidated accounts; or

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

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

United Kingdom

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes has further represented and agreed with, or will represent to and agree with, the Issuer and each other such Dealer (if any) that:

(a) *No deposit-taking:* in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business: and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses.

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) *Financial promotion:* it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) *General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or an admitted institution of Euronext Amsterdam in accordance with the Dutch Savings Certificates Act ("*Wet inzake spaarbewijzen*") of 21 May 1985 (as amended). Such restrictions do not apply (a) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (b) to the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series/Tranche are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Brazil

Each Dealer has further represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in Brazil, except that it may offer Notes in Brazil in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. The Notes have not been and will not be registered with the Brazilian Securities Commission, the CVM.

Cayman Islands

Each Dealer agrees that it will not make an invitation to the public in the Cayman Islands to subscribe for the Notes unless such Notes are listed on the Cayman Islands Stock Exchange.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (each, as defined herein and together, the "Clearing Systems") in effect for the time being. Investors wishing to use the facilities of any of the Clearing Systems must check the rules, regulations and procedures of the relevant Clearing System in effect for the time being.

Book-Entry Registration

Registered Notes sold pursuant to Rule 144A under the Securities Act, whether as part of the initial distribution of such Notes or in the secondary market, are eligible to be held in book-entry form through DTC. DTC has advised the Issuers that it is a limited purpose trust company organised under the laws of the State of New York, a member of the United States Federal Reserve System, "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"). DTC was created to hold securities for its participants ("DTC Participants") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entries, thereby eliminating the need for physical movement of securities. DTC Participants include securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant either directly or indirectly ("Indirect Participants").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC Participants make book-entry transfers of Registered Securities among DTC Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system as described below (the "DTC Notes") and receive and transmit distributions of principal and interest on the DTC Notes. DTC Participants and Indirect Participants with which beneficial owners of DTC Notes ("Owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through DTC Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which DTC Participants will receive payments and will be able to transfer their interest with respect to the Notes.

Since DTC may only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

DTC has advised the Issuers that it will take any action permitted to be taken by an Owner only at the direction of one or more DTC Participants to whose account with DTC such Owner's DTC Notes are credited. Additionally, DTC has advised the Issuers that it will take such actions with respect to any percentage of the beneficial interest of Owners who hold Registered Notes through DTC Participants or Indirect Participants only at the direction of and on behalf of DTC Participants whose accountholders include undivided interests that satisfy any such percentage. DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC Participants whose accountholders include such undivided interests.

Owners shall give notice to elect to have their Notes tendered, through their Participant (whether DTC or Indirect) to the Registrar, and shall effect delivery of such Notes by causing the DTC Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Registrar. The requirement for

physical delivery of Notes in accordance with a demand for redemption will be deemed satisfied when the ownership rights in the Notes are transferred by DTC Participants on DTC's records.

Bearer Notes and Registered Notes held outside the United States may be held through Euroclear or Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will operate with respect to the Notes in accordance with customary Euromarket practice.

None of the Issuers or the Registrar will have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interest or Notes held by Cede & Co., as nominee for DTC, or by Euroclear or Clearstream, Luxembourg, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Definitive Registered Notes

An Owner may receive definitive Registered Notes and may request the Registrar in New York City to deliver such definitive Registered Notes in accordance with the Trust Deed.

In addition, the DTC Notes will be issued as definitive Registered Notes to Owners or their nominees, rather than to Cede & Co., as nominee for DTC, if (i) the Issuers advise the Registrar in writing that DTC is no longer willing or able to discharge properly its responsibilities as depositary with respect to the DTC Notes and the Issuers are unable to locate a qualified successor, (ii) the Issuers, at their option, elect to terminate the book-entry system through DTC with respect to the DTC Notes or (iii) after the occurrence of an Event of Default (as defined in the Terms and Conditions of the Notes).

Upon the occurrence of any event described in the immediately preceding paragraph, the Registrar will be required to notify all Owners who hold DTC Notes through DTC Participants or Indirect Participants through such DTC Participants of the availability of definitive Registered Notes. Upon surrender by DTC of the certificates representing the DTC Notes and receipt of instructions for re-registration, the Registrar will reissue the DTC Notes as definitive Registered Notes to Owners.

Secondary Trading; Same-Day Settlement or Payment

All payments made by the Issuers with respect to Registered Notes registered in the name of Cede & Co., as nominee for DTC, will be passed through to DTC in same-day funds.

If an Owner that is a qualified institutional buyer holding a Note through DTC sells to a qualified institutional buyer in the secondary market, the trade will be settled using DTC procedures applicable to global bond issues. Settlement will occur in same-day funds.

If an Owner that is a qualified institutional buyer holding a Registered Note through DTC sells to any purchaser that will not hold such Registered Note in DTC, the trade will settle and clear by delivery of definitive Registered Notes.

If an Owner holding through Euroclear or Clearstream, Luxembourg sells to a third party that wishes to hold such Note through either Euroclear or Clearstream, Luxembourg, the trade will be settled using procedures applicable to Eurobonds.

If an Owner holding Notes represented by the Bearer Global Note held by Euroclear or Clearstream, Luxembourg sells to a qualified institutional buyer that wishes to hold such Notes through DTC, the trade will settle and clear by increasing the principal amount of the Registered Global Note held on behalf of DTC by the principal amount of such Notes and making a corresponding debit to the Bearer Global Note

held by the common depositary for Euroclear and Clearstream, Luxembourg in London. Such trade will settle and clear through Euroclear or Clearstream, Luxembourg, as the case may be, in same-day funds.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearing house or next-day funds. In contrast, DTC Notes held through DTC Participants or Indirect Participants will trade in DTC's Same-Day Funds Settlement System until maturity, and secondary market trading activity in such DTC Notes will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activity in such DTC Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States that are Qualified Institutional Buyers relying on Rule 144A are advised to consult legal counsel prior to making any reoffer, resale, pledge or other transfer of Notes offered and sold in reliance on Rule 144A or in a transaction otherwise exempt from the registration requirements of the Securities Act, respectively.

Each prospective purchaser of Notes that is a Qualified Institutional Buyer (each, a "Restricted Offeree" and such Notes, "Restricted Notes"), by accepting delivery of this Base Prospectus, will be deemed to have represented and agreed as follows:

(1) Such Restricted Offeree acknowledges that this Base Prospectus is personal to such Restricted Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in a transaction otherwise exempt from the registration requirements of the Securities Act. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such Restricted Offeree and those persons, if any, retained to advise such Restricted Offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

(2) Such Restricted Offeree agrees to make no photocopies of this Base Prospectus or any documents referred to herein.

Each purchaser of an interest in a Restricted Note will be deemed to have represented and agreed as follows (terms used in this paragraph and not otherwise defined herein being used herein as defined in Rule 144A or Regulation S, as appropriate):

(a) The purchaser is a qualified institutional buyer that is aware that the sale to it is being made in reliance on Rule 144A and is acquiring Notes for its own account or for the account of a qualified institutional buyer with respect to which such purchaser exercises sole investment discretion.

(b) Such Restricted Note is being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act. Such Restricted Note has not been and will not be registered under the Securities Act or any applicable State securities law and may not be reoffered, resold, pledged or otherwise transferred unless registered pursuant to, or exempt from registration under, the Securities Act and any applicable state securities laws; and that (i) if in the future the purchaser decides to reoffer, resell, pledge or otherwise transfer such Restricted Note or any interest therein, such Restricted Note or interest therein may be reoffered, resold, pledged or otherwise transferred only (A) to a person whom the seller reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer with respect to which such purchaser has sole investment discretion in a transaction meeting the requirements of Rule 144A, (B) in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available and upon delivery to the Issuer and the Registrar of an opinion of United States counsel in form and substance satisfactory to the Issuer), in each case in accordance with any applicable securities laws of any State of the United States, and that (ii) the purchaser will notify any purchaser, pledgee or other transferee of any such Restricted Note or any interest therein pursuant to clause (b)(i)(A) above of the transfer restrictions referred to in such clause (b)(i). The

purchaser acknowledges that no representation is made by the Issuer, or by any Dealer as to the availability of any exemption under the Securities Act or any State securities law in connection with any reoffer, resale, pledge or other transfer of such Restricted Note.

(c) Each Restricted Note will bear a legend substantially to the following effect, in addition to such other legends as may be necessary or appropriate, unless the Issuer determines otherwise in compliance with applicable law:

"THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS NOTE OR ANY INTEREST HEREIN MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH PURCHASER OF THIS NOTE OR ANY INTEREST HEREIN IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE OR ANY INTEREST HEREIN MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER AND EACH OF THE DEALERS UNDER THE PROGRAMME PURSUANT TO WHICH IT WAS ISSUED (A) THAT THIS NOTE OR ANY INTEREST HEREIN MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WITH RESPECT TO WHICH IT EXERCISES SOLE INVESTMENT DISCRETION IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (2) IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE AND UPON DELIVERY TO THE ISSUER AND THE REGISTRAR OF AN OPINION OF UNITED STATES COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THAT IT WILL NOTIFY ANY PURCHASER, PLEDGEE OR OTHER TRANSFEREE OF THIS NOTE OR ANY INTEREST HEREIN PURSUANT TO CLAUSE (A)(1) ABOVE OF THE TRANSFER RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE."

(d) The purchaser understands that Registered Notes offered and sold in the United States by the Dealers in reliance on Rule 144A under the Securities Act initially will be represented by a Restricted Global Registered Note. Before any interest in a Restricted Global Registered Note may be reoffered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with the transfer restrictions referred to in clause (b)(i)(B) or (b)(i)(C) above.

Each purchaser of an interest in an Unrestricted Global Registered Note understands that, on or prior to the fortieth (40th) day following the completion of the distribution (as certified by the Lead Manager) in relation to the Tranche of which such Unrestricted Global Registered Note is a part, beneficial interests in such Unrestricted Global Registered Note (i) may be held only through Euroclear or Clearstream, Luxembourg, unless delivery is made in the form of an interest in a Restricted Global Registered Note in accordance with the certification requirements described below, and (ii) may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Registered Note of such Series only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth (40th) day, such restrictions will no longer be applicable.

FORMS OF NOTE

Global Registered Notes

If so specified in the relevant Final Terms, Notes sold to non-U.S. persons in offshore transactions in reliance on Rule 903 of Regulation S may be represented by an unrestricted Global Registered Note (the "Unrestricted Global Registered Note") which will be deposited with the Registrar as custodian for DTC and registered in the name of DTC or a nominee of DTC. On or prior to the fortieth day following the completion of the distribution (as certified by the Lead Manager) in relation to the relevant Tranche of Notes (the "Distribution Compliance Period"), beneficial interests in the Unrestricted Global Registered Note may be held only through Euroclear or Clearstream, Luxembourg.

Notes sold in reliance on Rule 144A may be represented by a restricted Global Registered Note (the "Restricted Global Registered Note", and together with the Unrestricted Global Registered Note, the "Global Registered Notes") which will be deposited with the Registrar as custodian for DTC and registered in the name of DTC or a nominee of DTC. The Restricted Global Registered Note and any Notes issued in exchange therefor will be subject to certain restrictions on transfer described herein and in the Agency Agreement and, unless determined otherwise by the Issuer in accordance with applicable law, will bear the Legend, as set forth above under "Transfer Restrictions". No person other than a Qualified Institutional Buyer or a person purchasing Notes outside the United States in a transaction meeting the requirements of Regulation S (a "Regulation S Purchaser") may own a beneficial interest in the Restricted Global Registered Note; *provided*, *however*, that for as long as Euroclear and Clearstream, Luxembourg require, no such person may hold such beneficial interest through Euroclear and Clearstream, Luxembourg.

During the Distribution Compliance Period, a beneficial interest in the Unrestricted Global Registered Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Restricted Global Registered Note or a Restricted Definitive Registered Note only upon receipt by the Registrar of a written certificate in the form provided in the Agency Agreement (a "Transfer Certificate") from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a Qualified Institutional Buyer, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. The beneficial interest arising from such transfer will be subject to the transfer restrictions applicable to such beneficial interest in the Restricted Global Registered Note.

A beneficial interest in the Restricted Global Registered Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Unrestricted Global Registered Note, whether during or after the Distribution Compliance Period, only upon receipt by the Registrar of a Transfer Certificate from the transferor generally to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer occurs during the Distribution Compliance Period, the interest transferred will be held through Euroclear or Clearstream, Luxembourg.

Upon the issuance of the Global Registered Notes, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by each Global Registered Note to the accounts of persons who have accounts with such depositary. Such accounts initially will be designated by or on behalf of the relevant Dealer(s). Ownership of beneficial interest in the Global Registered Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of persons who have

accounts with DTC ("DTC Participants")) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as the depositary for a Global Registered Note, or its nominee, is the registered owner or holder of such Global Registered Note, such depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Agency Agreement and the Notes. No owner of a beneficial interest in a Global Registered Note will be able to transfer that interest except in accordance with the depositary's applicable procedures.

Investors may hold their beneficial interests in the Unrestricted Global Registered Note directly through Euroclear or Clearstream, Luxembourg if they are participants in such systems, or indirectly through organisations which are participants in such systems. Following the Distribution Compliance Period, investors may also hold such beneficial interest through organisations other than Euroclear and Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold beneficial interests in the Unrestricted Global Registered Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such beneficial interests in the Unrestricted Global Registered Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their beneficial interests in the Restricted Global Registered Note directly through DTC if they are participants in such system or indirectly through organisations (for so long as Euroclear and Clearstream, Luxembourg so require, other than Euroclear or Clearstream, Luxembourg) which are participants in such system. (See "Clearing and Settlement".)

In addition, if the Issuer advises the Registrar in writing that DTC is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Notes (or any Series of Notes) and the Issuer is unable to locate a qualified successor or the Issuer, at its option, elects to terminate the book-entry system through DTC with respect to the Notes or any Series thereof, holders of beneficial interests in the Global Registered Notes may, subject to the rules and procedures of DTC, cause DTC (or its nominee) to notify the Registrar in writing of a request for transfer or exchange of such beneficial interest for Definitive Registered Notes. Following the Distribution Compliance Period or unless determined otherwise by the Issuer in accordance with applicable law, Definitive Registered Notes issued upon transfer or exchange of beneficial interests in the Unrestricted Global Registered Note shall not bear the Legend. In addition to the restrictions on transfer of Notes set forth above and in "Transfer Restrictions", with respect to the registration of transfer of any Restricted Definitive Registered Note the Registrar shall register the transfer of any such Restricted Definitive Registered Note if either (a) the requested transfer is being made pursuant to Rule 144A and the transferor has provided the Registrar with a duly completed Transfer Certificate or (b) the requested transfer is being made pursuant to Regulation S and the transferor has provided the Registrar with a duly completed Transfer Certificate. In addition, the Issuer may, as a condition to the registration of any such transfer, require the transferor to furnish such other certifications, legal opinions or other information (at the transferor's expense) as it may reasonably require to confirm that the proposed transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable laws.

If a holder of a Restricted Definitive Registered Note requests that such Note be transferred in the form of a beneficial interest in a Global Registered Note, the Registrar shall accept such transfer only if (i) the requirements described in clause (a) above have been met (in the case of a transfer to a beneficial interest in the Restricted Global Registered Note) or (ii) the requirements described in clause (b) above have been met (in the case of a transfer to beneficial interest in the Unrestricted Global Registered Note).

Subject to the restrictions on transfer and exchange set forth in the Agency Agreement and the Notes, the holder of any Definitive Registered Note may transfer or exchange the same in whole or in part (in a

principal amount equal to the minimum authorised denomination or any integral multiple thereof) by surrendering such Note at the specified office of the Registrar or any Transfer Agent.

Global Bearer Notes

Notes of any Series issued in bearer form will be represented upon issue by a Temporary Global Note. On or after the date (the "Exchange Date") which is 40 days after the completion of the distribution of the Notes of the relevant Series and provided certification as to the beneficial ownership thereof as required by U.S. Treasury Regulations (substantially in the form set out in the Temporary Global Note) has been received, interests in the Temporary Global Note may be exchanged for (a) interests in a Permanent Global Note or (b) if so specified in the relevant Final Terms, Definitive Bearer Notes or (c) if so specified in the relevant Final Terms, Registered Notes in the form either of Definitive Registered Notes or of interests in an Unrestricted Global Registered Note or a Restricted Global Registered Note. Interests in a Permanent Global Note will, unless the contrary is specified in the relevant Final Terms, be exchangeable in whole, at the option of the holders of interests in such Permanent Global Note, for other Notes, including Definitive Bearer Notes, Definitive Registered Notes or an interest in an Unrestricted Global Registered Note or a Restricted Global Registered Note.

During the Distribution Compliance Period, a beneficial interest in a Temporary Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Registered Note or a Restricted Definitive Registered Note only upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made to a person who the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a Qualified Institutional Buyer in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. The beneficial interest arising from such transfer, however, will be subject to the transfer restrictions applicable to beneficial interests in the Restricted Global Registered Note or the Restricted Definitive Registered Note. If such transfer occurs after the Distribution Compliance Period, the transferee may take such delivery in the form of a beneficial interest in an Unrestricted Definitive Registered Note.

GENERAL INFORMATION

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market in the European Union and amending Directive 2001/34/EC (the "Transparency Directive") entered into force on 20 January 2005. It requires member states to take measures necessary to comply with the Transparency Directive by 20 January 2007. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, the Issuer could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of Euronext Amsterdam or by such other listing authority, stock exchange and/or quotation system outside the European Union as it may decide.

1. The Bank is a privately-owned financial institution, incorporated as a multiple-service bank (as set out in Section Four of its By-laws) with unlimited duration on 28 February 1991 and registered at the Central Bank of Brazil under No. 7151309/91 and with the Chamber of Commerce in the State of São Paulo under No. 033.066.408/0001-15. At the date of this Base Prospectus, ABN AMRO Bank N.V. directly owns 42.23% and, indirectly through its subsidiaries, owns 55.3% of the Bank.

2. The Programme and the issuance of Notes thereunder was authorised by resolutions of the Diretoria (Executive Board) of the Bank dated 17 July 1995, 18 July 1996, 30 August 1999, 2 May 2001, 22 July 2005 and 13 December 2006 and resolutions of the Diretoria (Executive Board) of ABN AMRO Leasing dated 17 July 1995, 18 July 1996, 30 August 1999, 2 May 2001, 22 July 2005 and 13 December 2006.

3. None of the Issuers or any of the Subsidiaries of the Bank is, or has been for the past 12 months, involved in any legal, arbitration or administrative proceedings, nor, to the best of the Issuers' knowledge, are any such proceedings pending or threatened against any of the Issuers or any of the Subsidiaries of the Bank which may have, or have had in the recent past, significant effects on the financial position or profitability of any of the Issuers or any of the Subsidiaries of the Bank.

4. Since 31 December 2006 there has been no material change or any material development or event involving a prospective change which is or reasonably could be expected to be materially adverse to the condition (financial or otherwise), business prospects, results of operations or general affairs of any of the Issuers or any of the Bank's subsidiaries that is material in the context of the Programme.

5. The consolidated and unconsolidated financial statements of the Bank have been audited by Ernst & Young Auditores Independentes S.S. ("Ernst & Young") for the years ended 31 December 2006, 2005, 2004 and 2003 and for the six months ended 30 June 2006 and 2005. The financial statements of ABN AMRO Leasing have been audited by Ernst & Young for the years ended 31 December 2006, 2005, 2004 and 2003 and for the six months ended 30 June 2006 and 2005.

Ernst & Young has given and has not withdrawn its consent to the incorporation by reference of its reports in this Base Prospectus in the form and context in which they are incorporated. None of the Issuers publish an annual report, although each Issuer publishes and makes available to the public its audited financial statements. The audited consolidated and unconsolidated financial statements of the Bank for the years ended 31 December 2006, 2005, 2004 and 2003 and for the six months ended 30 June 2006 and 2005; the audited financial statements of ABN AMRO Leasing for the years ended

31 December 2006, 2005, 2004 and 2003 and for the six months ended 30 June 2006 and 2005 are incorporated by reference in this Base Prospectus.

6. The audited consolidated and unconsolidated financial statements of the Bank and the audited financial statements of ABN AMRO Leasing for the years ended 31 December 2006, 2005, 2004 and 2003, and for the six months ended 30 June 2006 and 2005 incorporated by reference in this Base Prospectus, have been prepared in accordance with Accounting Practices Adopted in Brazil.

7. For so long as any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of Banco ABN AMRO Real S.A. at Avenida Paulista, 1374, São Paulo-S.P., Brazil, and at the offices of the Paying Agents, namely:

(a) the *Estatutos Sociais* (Articles of Association) of the Bank and ABN AMRO Leasing;

(b) the current Base Prospectus in relation to the Programme, together with any amendments or supplements thereto and any document incorporated therein by reference;

(c) the Trust Deed;

(d) the Agency Agreement;

(e) the Dealer Agreement;

(f) the audited consolidated and unconsolidated financial statements of the Bank for the financial years ended 31 December 2006, 2005, 2004 and 2003 and for the six months ended 30 June 2006 and 2005;

(g) the audited financial statements of ABN AMRO Leasing for the financial years ended 31 December 2006, 2005, 2004 and 2003 and for the six months ended 30 June 2006 and 2005;

(h) the reports of Ernst & Young with those reports incorporated by reference in the form and context in which they are incorporated;

(i) any Final Terms. In the case of a Tranche of Notes in relation to which application has not been made for listing on Euronext Amsterdam or on any other stock exchange, copies of the relevant Final Terms will only be available for inspection by a Holder of such Notes; and

(j) the Support Letter.

8. The *Estatutos Sociais* of the Bank and ABN AMRO Leasing are incorporated herein by reference.

9. Save as discussed in "Subscription and Sale", so far as the Issuers are aware, no person involved in the offer of the Notes has an interest material to the offer.

10. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for each Series of Notes, together with the relevant ISIN number, will be specified in the Final Terms relating thereto. In addition, an application will be made for any Global Registered Note

to be accepted for trading in book-entry form by DTC. Acceptance of each Series of Registered Notes will be confirmed in the Final Terms relating thereto. Application will also be made to have any Global Registered Notes accepted for trading in PORTAL. The CUSIP and/or ISIN numbers for each Series of Registered Notes will be contained in the Final Terms relating thereto.

11. All Bearer Notes and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

12. Settlement arrangements will be separately agreed between the Issuer, the relevant Dealer and the London Paying Agent or the Registrar in relation to each Series of Notes.

13. Application has been made to list the Notes issued under the Programme on the Eurolist of Euronext Amsterdam.

14. JPMorgan Chase Bank, N.A. ("JPMorgan") and The Bank of New York Company, Inc. ("The Bank of New York") entered into an agreement on 8 April 2006 (the "Transaction") pursuant to which JPMorgan exchanged select portions of its corporate trust business (including roles performed by JPMorgan and its affiliates in connection with the Transaction), for The Bank of New York's consumer, small-business and middle-market banking businesses. The Transaction was approved by both companies' boards of directors and the applicable regulatory authorities and closed on 1st October, 2006.

Pending fulfilment of certain legal requirements necessary to achieve legal novation under the transaction documents applicable to each role, The Bank of New York shall perform such roles in the name of JPMorgan pursuant to a servicing or delegation arrangement agreed in conjunction with the sale of the business. The applicable Bank of New York entities are expected to legally succeed to the JPMorgan roles in respect of the Transaction during the second quarter of 2007.

FORM OF FINAL TERMS

Final Terms dated ●

[BANCO ABN AMRO REAL S.A.]
[ABN AMRO ARRENDAMENTO MERCANTIL S.A.]
[BANCO ABN AMRO REAL S.A., GRAND CAYMAN BRANCH]

Issue of [*Aggregate Principal Amount of Tranche*] [*Title of Notes*]
under the U.S.$3,000,000,000
Medium-Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated ● [and the Base Prospectus Supplement dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/ec (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the Base Prospectus Supplement] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated [*original date*] [and the Base Prospectus Supplement dated ●]. This document contains the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplemental Base Prospectus dated ●], which [together] constitute[s] a Base Prospectus for the purposes of the Prospective Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [*original date*] [and the supplemental base prospectus dated ●] and are attached hereto. Full information on the Issuer and the offer of the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the Base Prospectus supplements dated ● and ●]. The Prospectuses [and the supplemental prospectuses] are available for viewing at [[*address*] [and] [*website*]] and copies may be obtained from [*address*].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that, save as otherwise indicated, the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

[*When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*]

1.	Issuer:		**[Banco ABN AMRO Real S.A./ ABN AMRO Arrendamento Mercantil S.A./Banco ABN AMRO Real S.A., Grand Cayman Branch]**
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		
3.	Specified Currency or Currencies: (Condition 1.08)		[ ]
4.	Aggregate Principal Amount:		
	[(i)]	Series:	[ ]
	[(ii)	Tranche:	[ ]]
5.	Issue Price/Reference Price:		[ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (if applicable)]
6.	Specified Denominations: (Conditions 1.05 to 1.07)		[(NB The minimum denomination of each Note admitted to trading on a regulated exchange in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive is EUR50,000 (or if the Notes are denominated in a currency other than Euro, the equivalent amount in such currency) or such higher amount as may be allowed or required from time to time by the relevant central bank (or by the equivalent body or any laws or regulations applicable to Specified Currency)] [*If registered Notes, specify: minimum denomination of beneficial interests in Restricted Global Registered Note and minimum denominations of Restricted Definitive Registered Notes of U.S.$100,000 and integral multiples of U.S.$10,000*]
7.	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date (if different from the Issue Date):	[ ]

8.	Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*]
9.	Interest Basis:	[●% Fixed Rate] [[*specify reference rate*] +/- ●% Floating Rate] [Zero Coupon] [Index Limited Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	Dates for payment of instalment amounts (Instalment Notes): (Condition 6.01)	[*Specify dates (or Interest Payment Dates occurring in months and years if FRN Convention applies*)]
13.	Instalment amounts: (Condition 6.01)	[*Specify*]
14.	Put/Call Options: (Conditions 6.03 and 6.06)	[Investor Put] [Issuer Call] [(further particulars specified below)]
15. [(i)]	Status of the Notes:	[Unsubordinated]
[(ii)]	Date [Board] approval for issuance of Notes obtained:	*[ ]* [*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*]
16.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Note Provisions (Condition 5A)	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi/annually/quarterly/monthly] in

			arrear]
	(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[ ] per [ ] in Principal Amount
	(iv)	Broken Amount(s):	[*Not Applicable/Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
	(v)	Day Count Fraction:	[30/360 / Actual/Actual ([ISMA]/ISDA) / other]
	(vi)	Determination Dates:	[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ISMA])*)
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details] (*consider if day count fraction, particularly for euro denominated issues should be on an Actual/Actual or other basis. Also consider what should happen to unmatured coupons in the event of early redemption of the Notes.*)
18.	Floating Rate Note Provisions (Condition 5B)		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
	(i)	Interest Period(s)	[ ]
	(ii)	Specified Interest Payment Dates:	[ ]
	(iii)	Business Day Convention: (Condition 5D.02)	[FRN Convention/ Modified Following Business Day Convention/ other (*give details*)]
	(iv)	Manner in which the Rate(s) of Interest is/are to be determined: (Conditions 5B.03 and 5B.04)	[Screen Rate Determination / other (*give details*)]
	(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the London Paying Agent):	[*name*] shall be the Determination Agent (*no need to specify if London Paying Agent is to perform this function*).
	(vi)	Screen Rate Determination:	

	- Reference Rate:	[ ]
	- Interest Determination Date(s):	[ ]
	- Relevant Screen Page:	[ ]
	- Relevant Time	[ ]
	- Relevant Financial Centre	[ ]
	- Reference Banks	[ ]
	- Primary Financial Centre	[ ]
(vii)	Relevant Margin(s):	[+/-][ ] per cent. per annum
(viii)	Minimum Rate of Interest:	[ ] per cent. per annum
(ix)	Maximum Rate of Interest:	[ ] per cent. per annum
(x)	Day Count Fraction:	[ ]
(xi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

19.	Other Interest Rate Note Provisions (Condition 5):	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Accrual Yield:	[ ] per cent. per annum
(ii)	Reference Price:	[ ]
(iii)	Any other formula/basis of determining amount payable:	[*e.g. Zero Coupon Notes/ Index Linked Interest/ other variable-linked interest Notes*]

PROVISIONS RELATING TO REDEMPTION

20.	Optional Early Redemption (Call) (Condition 6.03)	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Call Early Redemption Date(s):	[ ]
(ii)	Call Early Redemption Amount(s) of each Note and method, if any, of	[ ] per Note of [ ] specified

		calculation of such amount(s):	denomination
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[ ]
		(b) Maximum Redemption Amount:	[ ]
	(iv)	Notice period (if other than as set out in the Conditions):	[ ]
21.	Optional Early Redemption (Put) (Condition 6.06)		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Put Early Redemption Date(s):	[ ]
	(ii)	Put Early Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
	(iii)	Notice period (if other than as set out in the Conditions):	[ ]
22.	Maturity Redemption Amount (Condition 6.01)		[Par/other/see Appendix]
23.	Early Redemption Amount (Condition 6.02)		
	(i)	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:		
	(i)	Form of Notes:	[Bearer/Registered]
	(ii)	Bearer Notes exchangeable for Registered Notes:	[Yes/No]

25.	If issued in Bearer form:		
	(i)	Initially represented by a Temporary Global Note or Permanent Global Note:	[*Specify. If nothing is specified and these Final Terms do not specify that the TEFRA C Rules apply, Notes will be represented initially by a Temporary Global Note*]
	(ii)	Temporary Global Note exchangeable for [a Permanent Global Note] [and/or] [Definitive Bearer Notes] [and/or] [Definitive Registered Notes] [or] [interest(s) in one or more Global Registered Note]:	[*Specify exchangeability and Exchange Date*]
	(iii)	[Specify date from which exchanges for Registered Notes will be made.]	[Exchanges will be made at any time on or after the date of issue of the Notes and upon presentation or, surrender of the Temporary Global Note to the London Paying Agent]
	(iv)	Permanent Global Note exchangeable for [Definitive Bearer Notes] [and/or] [Definitive Registered Notes] [or] [interest(s) in one or more Global Registered Note].	[*Specify exchangeability and Exchange Date*]
	(v)	Definitive Bearer Notes to be in ISMA or successor's format:	[Yes/No. If nothing is specified Definitive Bearer Notes will be in ISMA or successor's format]
26.	If issued in Registered Form:		
	(i)	Registrar and Transfer Agents: (Condition 13.2)	[*Names and specified offices*]
	(ii)	DTC or PORTAL Application:	[Yes/No] [*Provide details*]
	(iii)	Form of Registered Notes:	[Restricted Global Registered Note and Unrestricted Global Registered Note] [Definitive Global Registered Notes]
	(iv)	Details of exchange of interests in Registered Notes:	[*Specify*]
27.	Additional Financial Centre(s) or other special provisions relating to Business Days:		[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 18(ii) relates]*

28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
30.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
31.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 10] apply]
32.	Consolidation provisions:	[Not Applicable/The provisions [in Condition 17 (*Further issues*)] apply]
33.	Other final terms:	[Not Applicable/*give details*] [when adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospective Directive]

DISTRIBUTION

34.	(i)	If syndicated, names [and addresses][*] of Managers [and underwriting commitments][*]:	[Not Applicable/*give names, [addresses, and underwriting commitments*][*]] *[(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.]* [*]
	[(ii)	Date of Subscription Agreement:	[ ]][*]
	(iii)	Stabilising Managers (if any):	[Not Applicable/*give name*]

[*] For use only in connection with issues of Notes with a denomination of less than €50,000. Delete if not applicable and, if necessary, renumber accordingly.

35.	If non-syndicated, name [and address][*] of Dealer:	[Not Applicable/*give name [and address*[*]]]
[36.	Total commission and concession:	[ ] per cent. of the Aggregate Principal Amount][*]
37.	Additional selling restrictions:	[Not Applicable/*give details*]
38.	144A Eligible	[Yes/No]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the listing of the U.S.$3,000,000,000 Medium Term Note Programme of Banco ABN AMRO Real S.A., ABN AMRO Arrendamento Mercantil S.A. and Banco ABN AMRO Real S.A., Grand Cayman Branch.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [● has been extracted from information published by ●. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by ●, no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

(i)	Listing:	[Euronext Amsterdam / other (*specify*)/None]
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ] / [Not Applicable.] *[Where documenting a fungible issue need to indicate that original securities are already admitted to trading.]*
[(iii)	Estimate of total expenses related to admission to trading:	●.][**]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [[Other]: [ ]] *[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*[*] *[The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.]*

3. [NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. This may be satisfied by

[*] For use only in connection with issues of Notes with a denomination of less than €50,000. Delete if not applicable.

the inclusion of the following statement:]

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer	[ ]
	(See ["Use of Proceeds"] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
[(ii)] Estimated net proceeds:	[ ]
	[If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.]
[(iii)] Estimated total expenses:	[ ] *[Include breakdown of expenses.]*
	[If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.][*]
	[Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.][**]

6. [*Fixed Rate Notes only* – YIELD

Indication of yield:	[ ]
	[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.][*]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

[7. *[Floating Rate Notes only* - HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]][*]

[*] For use only in connection with issues of Notes with a denomination of less than €50,000. Delete if not applicable.
[**] For use only in connection with issues of Notes with a denomination of at least €50,000. Delete if not applicable.

8. [*Index-Linked or other variable-linked Notes only* – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE[, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS][*] AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.][*] *[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]*]

9. [*Dual Currency Notes only* – PERFORMANCE OF RATE[S] OF EXCHANGE [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT] [*]

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.] [*]*]*

10. OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Fonds Code:	[Not Applicable/*give code if listed on Eurolist by Euronext Amsterdam*]
CUSIP Number(s):	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]

[*] For use in connection with issues of Notes with a denomination of less than €50,000. Delete if not applicable.

PART B

PRESENTATION OF FINANCIAL INFORMATION

The Bank

This Base Prospectus incorporates by reference the audited consolidated and unconsolidated financial statements of the Bank as of and for the six months ended 30 June 2006 and 2005 (the "June 2006 Financial Statements" and the "June 2005 Financial Statements", respectively) and as of and for the years ended 31 December 2006, 2005, 2004 and 2003 (the "2006 Financial Statements", the "2005 Financial Statements", the "2004 Financial Statements" and the "2003 Financial Statements", respectively). The June 2006 Financial Statements, the June 2005 Financial Statements, the 2006 Financial Statements, the 2005 Financial Statements, the 2004 Financial Statements and the 2003 Financial Statements have been prepared in accordance with Brazilian generally accepted accounting principles determined in accordance with the Brazilian Corporate Law methodology (for the purposes of this Base Prospectus, "Brazilian GAAP") and regulations issued by the Central Bank. See "Brazilian Accounting Methodology". See also "Summary of Certain Significant Differences Among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS" and "Summary of Certain Significant Differences between Auditing Standards in Brazil and International Auditing Standards".

Combined Summary Financial Information

This Base Prospectus incorporates by reference a *pro forma* combined summary balance sheet and income statement as of and for each of the six months ended 30 June 2006 and 2005 and for each of the years ended 31 December 2006, 2005, 2004 and 2003 (the "Combined Summary Financial Information"). The Combined Summary Financial Information, which has been prepared by the Management of the Bank, although not required, has been audited by Ernst & Young Auditors Independentes S.S. ("Ernst & Young"). Brazilian GAAP does not provide for the preparation of combined financial statements and the Combined Summary Financial Information has been prepared on a combined, as opposed to consolidated, basis for each of the six months ended 30 June 2006 and 2005 and the years ended 31 December 2006, 2005, 2004 and 2003 and does not necessarily take account of all consolidation principles laid down by Brazilian GAAP.

The *pro forma* combined financial statements of the Bank and ABN AMRO Companies in Brazil ("The Bank and ABN AMRO Companies in Brazil") are presented exclusively for the purpose of providing, by means of one set of financial statements, information related to all of the financial and insurance activities of the Bank and ABN AMRO Companies in Brazil, irrespective of its corporate structure and the requirements for presenting financial statements as established in the Accounting Practices Adopted in Brazil, since the latter does not provide for the preparation of combined financial statements. Individual financial statements of companies considered in combined figures have been published separately.

As a result of certain adjustments and classifications which were implemented in 2006, in order to facilitate comparison between the 2006 Financial Statements and the 2005 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2005 have been reclassified in the 2006 Financial Statements (see Note 2b to the 31 December 2006 Combined Summary Financial Information).

As a result of certain adjustments and classifications which were implemented in 2005, in order to facilitate comparison between the 2005 Financial Statements and the 2004 Financial Statements, and in

accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2004 have been reclassified in the 2005 Financial Statements (see Note 2b to the 31 December 2005 Combined Summary Financial Information).

The Combined Summary Financial Information, as of 31 December 2006, combined the financial information of the Bank and the following companies:

Subsidiaries	Total Shareholding (%)	Principal Activity
Direct participation:		
ABN AMRO Arrendamento Mercantil S.A.	51.00	Leasing
Banco de Pernambuco S.A. - Bandepe	100.00	Financial institution
Banco Sudameris Brasil S.A.	100.00	Financial institution
Companhia Brasileira de Meios de Pagamento (Visanet)	14.28	Means of payment
Aymoré Crédiot, Financiamento e Investmento S.A.	99.99	Banking
Sudameris Arrendamento Mercantil S.A.	60.95	Leasing
Real Corretor de Seguros S.A.	76.19	Insurance
Indirect participation:		
Sudameris Distribuidora de Títulos e Valores Mobiliários S.A.	100.00	Financial institution
Sudameris Arrendamento Mercantil S.A.	64.81	Leasing
Banco Comercial e de Investimento Sudameris S.A.	99.80	Financial institution
ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A.	99.80	Financial institution
Cia de Crédito, Financiamento e Investimento Renault do Brasil	37.77	Financial institution
Cia de Arrendamento Mercantil Renault do Brasil	39.73	Leasing
Real Corretora de Seguros S.A.	23.80	Insurance
Related companies:		
Real Capitalização S.A.	100.00	Capitalization
Real Tokio Marine Vida e Previdência S.A.	49.99	Insurance and pension
Sudameris Vida e Previdência S.A.	49.99	Financial instituion
Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários	100.00	Financial instituion
ABN AMRO Securities(Brasil) Corretora de Valores Mobiliários S.A.	100.00	Financial instituion
ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A.	99.99	Financial instituion

ABN AMRO Leasing

This Base Prospectus incorporates by reference the financial statements of ABN AMRO Leasing as of and for each of the six months ended 30 June 2006 and 2005 and the years ended 31 December 2006, 2005, 2004 and 2003. Such financial statements have been prepared in accordance with Brazilian GAAP and regulations issued by the Central Bank and the CVM for leasing companies. See "Brazilian Accounting Methodology". These accounting principles differ significantly from the requirements of Brazilian GAAP. See Note 3 to the financial statements of ABN AMRO Leasing for the six months ended 30 June 2006 and 2005 and for the years ended 31 December 2006, 2005, 2004 and 2003 incorporated herein by reference.

Brazilian GAAP differ in certain respects from generally accepted accounting principles in the United States and Europe. See "Summary of Certain Significant Differences Among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS" and "Summary of Certain Significant Differences between Auditing Standards in Brazil and International Auditing Standards".

ABN AMRO Cayman

ABN AMRO Cayman financial information is consolidated into the Bank's financial information and is presented in Note 11 to the Bank's financial statements.

General

Unless otherwise specified or the context requires, references to "Dollars", "U.S. Dollars" and "U.S.$" are to United States Dollars and references to "Real", "reais", "Reais" and "R$" are to Brazilian reais, the official currency of Brazil.

At 31 December 2006 the exchange rate of *Real* amounts into U.S. Dollars was R$2.1380 to U.S.$1.00, based on the commercial selling rate for U.S. Dollars (the "Commercial Rate") as reported by the Central Bank. The Commercial Rate was R$2.3407 to U.S.$1.00 at 31 December 2005, R$2.6544 to U.S.$1.00 at 31 December 2004 and R$2.8892 to U.S.$1.00 at 31 December 2003. See "Exchange Controls and Foreign Exchange Rates" and "Risk Factors — Risk Factors relating to Brazil — Currency Devaluations and Fluctuations" in Part A of this Base Prospectus.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

THE ISSUERS

The Bank

The Bank is a private sector (non-government controlled) financial institution, incorporated as a *banco múltipo* (a multiple service bank) with unlimited duration and organised under the laws of Brazil. According to the by-laws of the Bank, it engages in a wide variety of activities principally comprised of retail banking, commercial lending to multinationals and large Brazilian corporations, consumer finance and foreign exchange transactions, and providing domestic and international finance and capital markets services. The Bank's registered office is located at Avenida Paulista, 1374, São Paulo, SP, Brazil, telephone number 55 11 3174-6300.

In terms of both total assets and net worth, the Bank ranked fourth among Brazilian private banks as of 31 December 2006. Total assets amounted to R$119,361 million as of 30 June 2006, with net worth as of such date totalling R$9,939 million. For the year ended 31 December 2006, the Bank generated a net profit of R$1,624 million. For the acquisition of Banco Real and Sudameris, R$3,879 million was allocated to goodwill as of 31 December 2006, which is being amortised on a straight-line basis over a five-year period (88% of the goodwill had been amortised by 31 December 2006) from the respective acquisitions. Excluding this amortisation charge net of tax, net income of the Bank for the year ended 31 December 2006 would have been R$1,831 million. See "Summary Financial Information of Banco ABN AMRO Real S.A.".

At the date of this Base Prospectus, the ABN AMRO Group in Brazil had a network of 1,091 branches located in all of the main business centres in Brazil.

See "Business of Banco ABN AMRO Real S.A."

ABN AMRO Leasing

ABN AMRO Leasing, which is a 51% owned subsidiary of the Bank, is a leasing company incorporated in Brazil with unlimited duration and registered with the Chamber of Commerce in the State of São Paulo under No. 34.033.779/0001-63. ABN AMRO Leasing commenced operations in September 1994. ABN AMRO Leasing's registered office is located at Alameda Araguaia, 731, Pavimento Superior, Parte A, Barueri, SP, Brazil, telephone number 55 11 3174-6187**.**

ABN AMRO Leasing is the legal vehicle through which the Bank provides lease financing to its Empresas and Retail Clients. The relevant consumer leasing and corporate leasing activities of ABN AMRO Leasing are conducted exclusively through, and are controlled by, the Consumer Finance business unit of the Retail SBU of the Bank. See "Business of Banco ABN AMRO S.A. — Consumer and Commercial Clients — Consumer Finance".

For the year ended 31 December 2006, ABN AMRO Leasing had a net profit of R$45 million and for the year ended 31 December 2006, had a lease portfolio with a then current value of R$1,149 million, comprising approximately 29.7 thousand contracts. ABN AMRO Leasing shareholders' equity as of 31 December 2006 amounted to R$527 million.

See "Business of Banco ABN AMRO Arrendamento Mercantil S.A."

ABN AMRO Cayman

ABN AMRO Cayman was established as a branch office of Banco Real in 1973 as part of Banco Real's overall international strategic plan and became a branch of the Bank following the acquisition of Banco Real and the subsequent merger.

ABN AMRO Cayman operates under a Category "B" Banking License issued on 6 June 1974. A new license was issued in its current name with effect from 29 August 2000 under what is now the Banks and Trust Companies Law (2003 Revision) of the Cayman Islands. This allows ABN AMRO Cayman to conduct all types of banking business in any part of the world, but does not allow ABN AMRO Cayman to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, among other things, exempted or ordinary non-resident companies. ABN AMRO Cayman's registered office is located at P.O. Box 302124SMB, Third Floor, Strathvale House, 90 North Church Street, George Town, Grand Cayman, Cayman Islands, telephone number 55 11 291 2760**.**

Today, ABN AMRO Cayman's activities consist principally of sourcing funds in the international banking and capital markets to provide credit lines for the Bank which are then extended to their customers for working capital and trade-related financings. ABN AMRO Cayman also extends credit to Brazilian and non-Brazilian clients, principally in relation to trade finance with Brazil.

See "Business of Banco ABN AMRO Real S.A., Grand Cayman Branch".

BANCO ABN AMRO REAL S.A.

Introduction

The Bank is a private sector (non-government controlled) financial institution, incorporated as a "banco múltiplo" (a multiple service bank), engaging in all passive and accessory transactions intrinsic to its authorised departments (as set out in Section Four of its By-laws) with unlimited duration and organised under the laws of Brazil. The Bank engages in a wide variety of activities principally comprised of retail banking, commercial lending to multinationals and large Brazilian corporations, consumer finance and foreign exchange transactions, and providing domestic and international finance and capital markets services. See "Business of Banco ABN AMRO Real S.A".

On 5 November 1998, Banco ABN AMRO acquired indirectly an interest in the voting and non-voting stock of Banco Real, Brazil's fourth largest private sector bank, together with certain other Brazilian and non-Brazilian affiliates and subsidiaries of Banco Real. Banco ABN AMRO subsequently merged with Banco Real, with retroactive effect from 28 January 2000 when approved by the Central Bank, and restructured the Banco ABN AMRO Real Group. See " History and Ownership—Acquisition of Banco Real S.A."

Subsequently, on 17 November 1998, the Bank acquired 99.97% of the share capital of BANDEPE, a state owned bank located in the Northeast of Brazil. See "History and Ownership—Acquisition of BANDEPE S.A." Following the acquisition, BANDEPE is being managed by the Bank as a separate banking subsidiary within the Banco ABN AMRO Real Group of companies operating in Brazil.

On 27 October 2003, the Bank completed the acquisition of Banca Intesa S.p.A.'s 94.57% holding in Sudameris. The Bank also acquired 164,632 common shares of Sudameris through a tender offer for the minority shares of Sudameris. On 12 May 2004, the shareholders of the Bank approved at an extraordinary shareholders meeting the merger of Sudameris' shares with the Bank's, whereupon Sudameris become a wholly-owned subsidiary of the Bank. The effects of the extraordinary meeting of the shareholders were suspended at the time due to a judicial order. In December 2006, the Bank reached an agreement with the shareholders of Sudameris. The agreement is pending ratification by the court. Once ratified, the decision of the extraordinary shareholders meeting which took place on 12 May 2004 will become effective. As a result, the Bank's capital will be R$7,593,733,402.02, represented by 1,846,565,218 common shares. See "History and Ownership—Acquisition of Sudameris".

In terms of both total assets and net worth, the Bank ranked fourth among Brazilian private banks as of 31 December 2006. Total assets amounted to R$119,361 million as of 31 December 2006, with net worth as of such date totalling R$9,939 million. For the year ended 31 December 2006, the Bank generated a net profit of R$1,624 million. For the acquisition of Banco Real and Sudameris, R$3,879 million was allocated to goodwill as of 31 December 2006, which is being amortised on a straight-line basis over a five-year period (88% of the goodwill had been amortised by 31 December 2006). Excluding this amortisation charge net of tax, net income of the Bank for the six months ended 31 December 2006 would have been R$1,831 million. See "Summary Financial Information of Banco ABN AMRO Real S.A."

At the date of this Base Prospectus, ABN AMRO Group in Brazil had a network of 1,091 branches located in each of the main business centres in Brazil.

History and Ownership

As of 31 December 2006, the Bank had capital stock comprising 1,846,565,218 authorised and outstanding shares of common stock, each carrying voting rights and capital of R$7,594 million. Since

18 November 1997, the shares of common stock of the Bank have no par value. As of the date of this Base Prospectus, ABN AMRO Bank N.V. directly owns 41.86% and, indirectly, through its subsidiaries, owns 54.81% of the Bank.

ABN AMRO Bank N.V.'s presence in Brazil dates back to 1917 when Banco Holandês Unido S.A., was formed as a branch of Hollandsche Bank-Unie N.V., a Dutch bank which was later bought by another Dutch banking group, Algemene Bank Nederland Bank N.V. ("Algemene"). As a result of various acquisitions during the early 1970s, Algemene expanded its Brazilian operations through its Brazilian holding company, Cia. de Intercâmbio e Participações (now ABN AMRO Brasil) and in February 1991, Cia. Aymoré de Crédito, Investimentos e Financiamentos, the consumer banking unit, merged with its parent, Banco Aymoré de Investimentos S.A., to form Banco Holandês S.A.

In November 1992, Banco Holandês S.A. acquired most of the undertaking and commercial banking business of Banco Holandês Unido S.A. This acquisition resulted in ABN AMRO Bank N.V.'s Brazilian activities being conducted through a wholly owned Brazilian bank and no longer partially through a branch of a foreign bank. With effect from 9 August 1993, Banco Holandês S.A. adopted the new name, Banco ABN AMRO S.A. ("Banco ABN AMRO").

Acquisition of Banco Real S.A.

On 5 November 1998, Banco ABN AMRO indirectly acquired an interest in the voting and non-voting stock of Banco Real, Brazil's fourth largest private sector bank, together with certain other Brazilian and non-Brazilian affiliates and subsidiaries of Banco Real and assumed management control of Banco Real from that date. On 29 December 1999, Banco ABN AMRO spun-off its shareholding in the insurance company, Real Previdência e Seguros S.A., to its Brazilian holding company, ABN AMRO Brasil Participações S.A. ("ABN AMRO Brasil"). On 12 January 2000, Banco Real was merged with and into Banco ABN AMRO (the "Merger"). Pursuant to the Merger, all of the assets and liabilities of Banco Real were transferred to Banco ABN AMRO. On 18 January 2000, Banco ABN AMRO spun-off certain of the shareholding interests which it had acquired in various Banco Real holding companies, including Real Holdings Participações S.A., Realpar Participações S.A., Real Consórcio Participações S.A. and Taluk S.A. to ABN AMRO Brasil. On 31 March 2000, the Bank changed its name from Banco ABN AMRO S.A. to Banco ABN AMRO Real S.A.

Acquisition of BANDEPE S.A.

On 17 November 1998, Banco ABN AMRO, as the sole bidder in a public auction for the sale of the shares held by the State of Pernambuco in the bank BANDEPE, agreed to acquire 188,718,200,721 common shares and 9,073,522,749 preferred shares of BANDEPE, representing 99.97% of the share capital of BANDEPE. The purchase price of R$182.9 million was paid, in cash, on 25 November 1998. BANDEPE, which was located in the Northeast of Brazil, was the third largest bank in Pernambuco, with a local network of 66 branches and 511 ATMs as of 31 December 2004. As of 28 April 2006, all the existing 66 branches, 34 PABs and 511 ATMs were transferred to the Bank as a result of the spin-off approved by the Central Bank at 16 October 2006. As a result of the acquisition of BANDEPE, the Bank has a strong presence in the Northeast region of Brazil, which, when combined with the acquisition of Banco Real, consolidates the Bank's presence throughout Brazil. Since the acquisition, BANDEPE has been managed by the Bank as a separate banking subsidiary pursuant to separate legal agreements between the Bank and BANDEPE.

As of 31 December 2006, BANDEPE had total assets of R$3,234 million, net worth of R$3,171 million and a net profit of R$251 million for the year then ended. The *pro forma* combined financial statements of the Bank and ABN AMRO Companies in Brazil include the financial statements of BANDEPE.

As of 24 March 2006, BANDEPE became a wholly owned subsidiary of the Bank, as a result of a share exchange agreement between the Bank and ABN AMRO Participações Financeiras S.A. ("ABN AMRO Participações Financeiras"), according to which the Bank transferred to ABN AMRO Participações Financeiras shares of ABN AMRO Leasing in exchange for shares of BANDEPE. Prior to this agreement, the Bank held 19,273,988 common shares of ABN AMRO Leasing, representing 99.99% of its corporate capital, and ABN AMRO Participações Financeiras held 185,898,213,910 common shares of BANDEPE, representing 8.51% of its corporate capital. Pursuant to the agreement, the Bank transferred to ABN AMRO Participações Financeiras 9,879,140 common shares of ABN AMRO Leasing in exchange for all the BANDEPE shares held by ABN AMRO Participações Financeiras. As of 28 April 2006, BANDEPE's corporate capital was R$2,767,406,800.58, represented by 2,183,667,025,860 common shares held by the Bank.

As a result of this transaction, ABN AMRO Participações Financeiras temporarily became the controlling shareholder of ABN AMRO Leasing, with 51.26% of its capital. On 23 October 2006, ABN AMRO Participações Financeiras transferred to the Bank 434,899 common shares of ABN AMRO Leasing, and the Bank reverted to its position as controlling shareholder of ABN AMRO Leasing, holding 51% of its capital.

Acquisition of Sudameris

On 27 October 2003, the Bank completed the acquisition of Banca Intesa S.p.A.'s 94.57% holding in Sudameris. The Bank has also filed papers with the CVM relating to the launch of two tender offers for the minority shares of Sudameris: (i) a mandatory tender offer for the acquisition of the totality of the outstanding common shares of Sudameris, pursuant to which the Bank undertook to pay for each share the price equivalent to 80% of the price paid for the acquisition of each share from Banca Intesa S.p.A.; and (ii) a non-mandatory tender offer designed to cancel the registration of Sudameris as a publicly-held corporation conditional upon the acceptance or express agreement of the holders of at least two-thirds of the outstanding float of Sudameris shares.

The public auction with respect to the mandatory and non-mandatory tender offers was held on 11 March 2004. The Bank acquired 164,632 common shares of Sudameris at the public auction with regard to the mandatory tender offer. However, the non-mandatory tender offer was not accepted by at least 2/3 of the outstanding float of Sudameris shares. Therefore, the non-mandatory tender offer was ineffective.

On 12 May 2004, the shareholders of the Bank approved at an extraordinary shareholders meeting the merger of Sudameris' shares with the Bank's, whereby Sudameris become a wholly-owned subsidiary of the Bank. On 12 May 2004, the shareholders of the Bank approved at an extraordinary shareholders meeting the merger of Sudameris' shares with the Bank's, whereupon Sudameris become a wholly-owned subsidiary of the Bank. The effects of the extraordinary meeting of the shareholders were suspended at the time due to a judicial order. In December 2006, the Bank reached an agreement with the shareholders of Sudameris. The agreement is pending ratification by the court. Once ratified, the decision of the extraordinary shareholders meeting which took place on 12 May 2004 will become effective. As a result, the Bank's capital will be R$7,593,733,402.02, represented by 1,846,565,218 common shares. See "Risk Factors — Risk Factors relating to the Bank and the Banking Industry — Operating Integration" in Part A of this Base Prospectus.

Sudameris has been present in Brazil for over 90 years. It had approximately 500,000 clients and was present in all Brazilian estates except for Acre and Amapá. In 1998, as part of its expansion strategy, Sudameris acquired the control of Banco América do Sul, a financial institution created in 1940 by Japanese immigrants. At the time of the acquisition by the Bank, Banco América do Sul's network was completely integrated into Banco Sudameris' network.

Sudameris has a strong presence in the Southeast of Brazil. At the end of the 1990s, Sudameris restructured its commercial focus, directing it to retail, and began a segmentation process. It also focused its activities in the international trade area. It became a traditional bank, with a broad experience on third-party asset management and rendering of banking services. Until the acquisition of Banco Real by Banco ABN AMRO in 1998, Sudameris was the largest foreign bank in Brazil.

With the acquisition of Sudameris, the Bank became the fourth largest private bank in Brazil in terms of deposits and loans and the fifth largest in terms of assets.

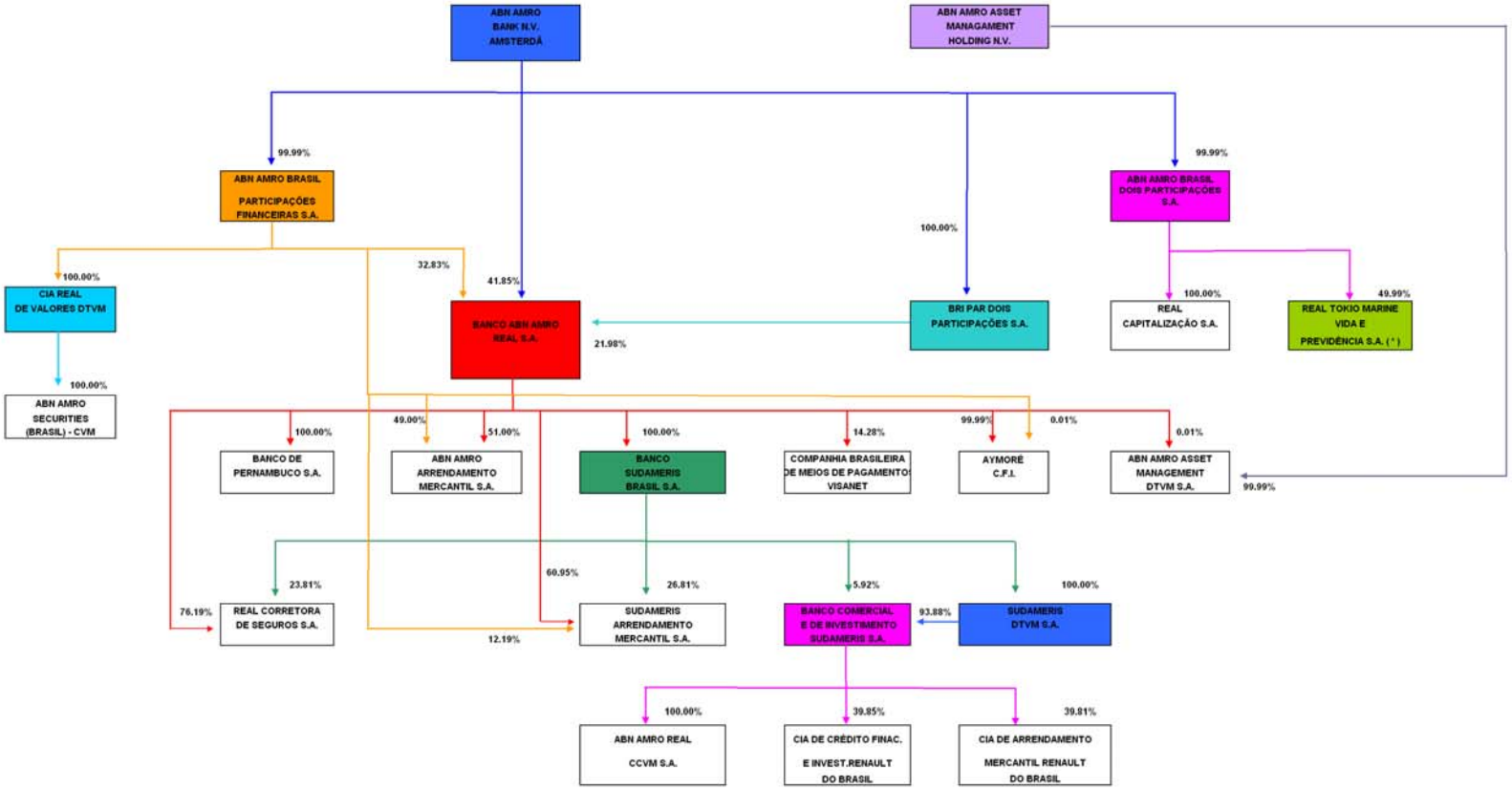
The chart below illustrates the results of the acquisition of Sudameris by the Bank as of 30 June 2003:

	ABN AMRO Real	**Banco Sudameris**	**Combined**
Client base	6.7 million	500 thousand	7.2 million
Accountholders	3.4 million	380 thousand	3.78 million
Branches	850	294	1,144
PABs	856	45	901
Employees	23,008	6,155	29,163
Total assets	R$41.2 billion	R$16 billion	R$57.2 billion

Since October 2004, the Bank's and Sudameris' operations have been aligned in terms of products, clients and distribution network. Except for the treasury and systems and processes and infrastructure areas, in which the operating integration process is still under way, all the other areas of both financial institutions are completely integrated.

At 31 December 2006, the structure of the ABN AMRO group in Brazil, including the ownership structure of the Bank and ABN AMRO Leasing, was:

"BANCO REAL E EMPRESAS ABN AMRO NO BRASIL"
Estrutura Acionária - Dezembro / 2006
(Visão - Publicação Pro Forma)



(*) Nova denominação social da Real Vida e Previdência S.A., alteração pendente de homologação pela SUSEP.

There has been no change to the structure of the ABN AMRO Group in Brazil or the ownership structure of the Bank and ABN AMRO Leasing.

Business Strategy

On 1 January 2001, ABN AMRO Bank N.V. announced a strategy and organisational structure applicable to itself and its subsidiaries and affiliated companies (the "ABN AMRO Group") which had the stated overriding objective of maximising value for its shareholders. As of that date, the Bank reorganised its operational structure to reflect the world-wide ABN AMRO Group operational structure by regrouping the Bank's activities into three globally organised and largely autonomous strategic business units, each with clear responsibility for managing a distinct client segment. The three SBUs are: Wholesale Clients, Consumer and Commercial Clients, and Private Clients and Asset Management. The three SBUs are globally organised within the ABN AMRO Group structure worldwide and each SBU comprises a number of smaller business units which are responsible for client relationship management, products and services, and support services.

This organisation replaced the Bank's former matrix management structure and configured the Bank purely along client, rather than geographic or product lines and was designed to foster transparency and accountability throughout the Bank and the ABN AMRO Group world-wide, and to enable it to better meet the increasingly sophisticated needs of its clients. See "Business of Banco ABN AMRO Real S.A."

The key elements of the ABN AMRO Group strategy introduced in 2001 were: (i) to continue to grow primarily through organic growth, although also evaluating possible acquisitions, with the goal of consolidating its presence throughout Brazil; (ii) to control costs and improve efficiency standards; and (iii) to generate additional revenues by increasing the cross-selling of products and services to the clients within each of its key segments.

Continue to grow, control costs and improve efficiency

In connection with this strategy, the Bank has consistently expanded in the country, mainly through strong organic growth, since the acquisition of Banco Real in 1998. In addition, in 2003, ABN AMRO Group significantly strengthened its position in the Brazilian market by acquiring Sudameris.

The acquisition of Sudameris added a well-located network of 294 branches and access to 700,000 high net worth individuals. Following the operating integration of the systems infrastructure of the Bank and Sudameris and the alignment of products, services and distribution channels of the two institutions, completed in October 2004, the organisation is benefiting from the synergies in the amount announced upon the acquisition. The Bank also upgraded its channel offer, enabling clients to make secure transactions over its Internet banking network, and further integrated all distribution channels. Clients can now receive the same products and services through distribution channels such as the Internet, call centres and service outlets. The strategy is to take advantage of the more competitive and flexible cost structure to focus and increase the client satisfaction and loyalty.

The Bank continuously aims to raise client satisfaction. In order to service better the needs and expectations of its clients and improve our product offering, it has segmented the client base according to its profiles and needs.

The Bank's Retail business in Brazil focuses on being one of the most efficient and valued of the top league of large private sector (non-government controlled) retail banks in the country. It provides a wide range of clients in different segments with the financial services they need to fulfil their ambitions.

In furtherance of this strategy, the Bank has made significant investments in technology, efficiency and staff training. The Bank also upgraded its channel offer, enabling clients to make secure transactions over the Internet banking network, and further integrated all distribution channels. Clients can now receive the same products and services through distribution channels such as the Internet, call centres and service outlets. The Bank will also continue to focus on further improving employee retainment, client satisfaction and client loyalty, which it expects will enhance its brand.

Increased Cross-selling of Products and Services

The Bank seeks to increase revenues from its existing clients by increasing the cross-selling of its products and services to those clients. As a result of the acquisition of Sudameris and its branch network, the Bank has access to a larger customer base and has an extensive distribution network through which it can market and sell its products and services. In addition, the reorganisation of the Bank's business activities along client lines in accordance with the global ABN AMRO strategy provides it with additional opportunities to cross-sell products and services to non-Brazilian clients who are clients of the global ABN AMRO Wholesale Clients strategic business unit.

In an effort to maximise these opportunities, the Bank has developed a database which profiles the banking activities of active clients thereby assisting the Bank in identifying opportunities for cross-selling additional products or services to such clients.

ABN AMRO Group's current strategy is built on leveraging its advantages as a group to create the best value for its clients. The key elements of ABN AMRO Group's strategy are: (i) to create value for its clients by offering high-quality financial solutions that best meet their current needs and long-term goals; (ii) to focus on consumer and commercial clients, selected wholesale clients, financial institutions and private clients; (iii) to leverage its advantages in products and people to benefit all its clients; (iv) to share expertise and operational excellence across ABN AMRO Group; and (v) to create 'fuel for growth' by allocating capital and talent according to the principles of Managing for Value, ABN AMRO Group's value-based management model.

The Bank is in the process of adapting ABN AMRO Group's current strategy locally.

CAPITALISATION OF BANCO ABN AMRO REAL S.A.

The following table sets out the capitalisation of the Bank as of 31 December 2006 as derived from the audited financial statements of the Bank for the period ended 31 December 2006. There has been no material change to the Bank's capitalisation since 31 December 2006.

	As of 31 December 2006
	(in millions of Reais)
Short-Term Debt[1]	
Deposits	30,244
Money market repurchase commitments	9,736
Acceptances and endorsements	1,562
Interbank accounts	71
Interbranch accounts	951
Borrowings[2]	1,825
Repass borrowings from official institutions	605
Repass borrowings from foreign institutions	120
Other liabilities[3]	13,820
Total short-term debt	58,934
Long-Term Debt[4]	
Deposits	28,011
Money market repurchase commitments	2,964
Acceptances and endorsements	1,238
Borrowings[2]	1,421
Repass borrowings from official institutions	1,318
Repass borrowings from foreign institutions	222
Other liabilities[3]	12,794
Deferred income	26
Total long-term debt	47,994
Shareholders' Equity	
Capital	7,594
Capital reserves	70
Revaluation reserve	3
Revenue reserve	1,908
Retained earnings	253
Total shareholders' equity	9,828
Total capitalisation	116,756

(1) Includes debt with maturities up to and including 360 days.
(2) Refers to borrowings from foreign institutions.
(3) Includes R$11,248 million (short-term debt) and R$ 11,565 million (long-term debt) related to the foreign exchange portfolio.
(4) Includes debt with maturities of over 360 days.

CAPITALISATION OF THE BANK AND ABN AMRO COMPANIES IN BRAZIL

The following table sets out the capitalisation of the Bank and ABN AMRO Companies in Brazil as of 31 December as derived from the *pro forma* combined financial statements of the Bank and ABN AMRO Companies in Brazil for the period ended 31 December 2006. There has been no material change to the Bank and ABN AMRO Companies in Brazil's capitalisation since 31 December 2006.

	As of 31 December 2006
	(in millions of Reais)
Short-Term Debt[1]	
Deposits	30,111
Money market repurchase commitments	8,102
Acceptances and endorsements	1,700
Interbank accounts	72
Interbranch accounts	1,139
Borrowings[2]	2,169
Repass borrowings from official institutions	755
Repass borrowings from foreign institutions	120
Other liabilities[3]	14,014
Total short-term debt	58,182
Long-Term Debt[4]	
Deposits	24,890
Money market repurchase commitments	2,964
Acceptances and endorsements	1,258
Borrowings[2]	1,435
Repass borrowings from official institutions	1,559
Repass borrowings from foreign institutions	222
Other liabilities	15,086
Deferred income	38
Total long-term debt	47,452
Shareholders' Equity	
Capital	7,769
Capital reserves	101
Revaluation reserve	3
Revenue reserve	2,035
Retained earnings	(259)
Total shareholders' equity	9,649
Total capitalisation	115,283

(1) Includes debt with maturities up to and including 360 days.
(2) Refers to borrowings from foreign institutions.
(3) Includes R$11,118 million (short-term debt) and R$ 11,564 million (long-term debt) related to the foreign exchange portfolio.
(4) Includes debt with maturities of over 360 days.

SUMMARY FINANCIAL INFORMATION OF BANCO ABN AMRO REAL S.A.

Unconsolidated Financial Information

The following summary financial information as of and for the six months ended 30 June 2006 and 2005 and for the years ended 31 December 2006, 2005, 2004 and 2003 is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the audited unconsolidated financial statements of the Bank, in each case with the notes thereto and reports of the independent auditors thereon, incorporated by reference in this Base Prospectus. The financial statements have been prepared using the Brazilian GAAP. The basis of presentation is further described herein under "Presentation of Financial Information" and in "Brazilian Accounting Methodology".

	As of 30 June		As of 31 December			
Balance Sheet Data	**2006**	**2005**	**2006**	**2005**	**2004**	**2003**
			(R$ in millions)			
Assets						
Cash and banks	1,535	1,187	1,671	1,418	1,003	1,090
Interbank funds applied	6,111	2,045	9,402	4,074	2,342	890
Securities[(1)]	18,106	14,173	27,880	14,897	12,881	10,538
Interbank and interbranch accounts	7,506	5,372	7,175	5,744	4,314	3,764
Loans	31,709	23,699	36,686	28,198	19,697	15,852
Other receivables	8,601	6,662	27,556	7,017	5,311	5,138
Other assets	388	121	878	238	110	121
Investments in subsidiaries	5,641	5,140	6,887	5,387	5,068	4,857
Other investments	60	60	61	60	61	60
Provision for losses on other investments, net	(16)	(16)	(15)	(16)	(16)	(23)
Property and equipment	504	469	492	477	514	559
Deferred charges	738	832	688	786	886	1,151
Total assets	**80,883**	**59,744**	**119,361**	**68,280**	**52,171**	**43,997**
Liabilities and Shareholders' Equity						
Deposits	47,958	34,066	58,255	42,985	29,091	21,863
Money market repurchase commitments	5,382	3,160	12,700	3,394	3,317	2,127
Acceptances and endorsements	2,560	1,819	2,800	1,890	1,836	1,833
Interbank accounts	801	811	71	52	44	40
Interbranch accounts	960	754	951	776	637	712
Borrowings	1,573	1,404	3,246	1,893	1,839	2,257
Repass borrowings from official institutions	1,403	954	1,923	1,263	811	697
Repass borrowings from foreign currency	380	576	342	451	683	48
Other liabilities	8,079	6,398	26,614	5,858	4,518	5,295
Derivatives	2,699	1,052	2,494	1,032	869	1,009
Deferred income	43	19	26	21	19	11
Shareholders' equity	9,045	8,731	9,939	8,666	8,507	8,105
Total liabilities and shareholders' equity	**80,883**	**59,744**	**119,361**	**68,280**	**52,171**	**43,997**

(1) The balance includes derivative transactions in the amount of R$2,321 million and R$2,024 million as at 30 June 2006 and 2005, respectively, and R$ 2,252 million, R$1,717 million and R$1,577 million at 31 December 2006, 2005, 2004 and 2003 respectively.

Income Statement Data	For the six months ended 30 June		For the years ended 31 December			
	2006	2005	2006	2005	2004	2003
			(R$ in millions)			
Financial revenues	7,047	4,849	14,573	11,142	8,073	7,178
Financial expenses	(3,724)	(2,586)	(7,418)	(6,002)	(4,254)	(3,569)
Net income on financial operations	3,323	2,263	7,155	5,140	3,819	3,609
Administrative expenses	(2,634)	(2,224)	(5,624)	(4,748)	(4,264)	(3,770)
Goodwill amortisation – Acquisition of Banco Real S.A.	(70)	(93)	(133)	(176)	(334)	(521)
Other operating income (expenses)	1,011	1,354	2,279	2,067	2,498	2,647
Allowance for doubtful accounts	(936)	(539)	(1,958)	(1,146)	(795)	(1,070)
Equity in earnings of subsidiaries	39	(186)	402	60	11	(293)
Net non-operating results	(7)	(21)	(19)	(56)	9	(34)
Net income before income tax	726	554	2,102	1,141	944	568
Income tax and social contribution tax benefit	(137)	(167)	(183)	10	(156)	(80)
Employee participation	(120)	(98)	(295)	(203)	(163)	(154)
Net income[(1)]	469	289	1,624	949	625	334

(1) In connection with the acquisition of Banco Real, Sudameris and related entities, the Bank recognized goodwill on the purchase price. This goodwill is being amortised on a straight-line basis over a five-year period. Excluding the amortisation charge of R$106 million net of tax, net income of the Bank's financial statements for the six months ended 30 June 2006 would approximate R$575 million. Excluding the amortisation charge of R$121 million net of tax, net income of the Bank's financial statements for the six months ended 30 June 2005 would approximate R$410 million. Excluding the amortisation charge of R$207 million net of tax, net income of the Bank's financial statements for the year ended 31 December 2006 would approximate R$1,831 million. Excluding the amortisation charge of R$340 million net of tax, net income of the Bank's financial statements for the year ended 31 December 2004 would approximate R$965 million. Excluding the amortisation charge of R$396 million net of tax, net income of the Bank's financial statements for the year ended 31 December 2003 would approximate R$730 million.

Combined Summary Financial Information

The following combined summary financial information as of and for each of the six months ended 30 June 2006 and 2005 and the years ended 31 December 2006, 2005, 2004 and 2003 has been prepared by the management of the Bank. The *pro forma* combined financial statements of the Bank and ABN AMRO Companies in Brazil, which are the responsibility of the management of the companies taking part in the combination, are presented with the sole objective of providing, by means of one set of financial statements, information related to all of the financial and insurance activities of the Bank and its subsidiaries and related companies in Brazil, irrespective of the corporate structure and the requirements for disclosing financial statements determined by the Accounting Practices Adopted in Brazil. The *pro forma* combined financial statements are not required by these accounting practices and does not necessarily take into consideration all consolidation principles laid down by Brazilian GAAP. See "Presentation of Financial Information — Combined Summary Financial Information" and "Risk Factors — Risk Factors relating to the Bank and the Banking Industry — Financial Statements — Combined Summary Financial Information" in Part A of this Base Prospectus.

The *pro forma* Combined Summary Financial Information has been prepared for illustrative purposes only and evaluation of period-to-period trends may be impossible or impaired and, as a result of the merger and corporate restructuring, the Combined Summary Financial Information cannot be relied upon as being indicative of the financial performance of Banco ABN AMRO Real Group in the past or of the future financial position and results of operations of the Banco ABN AMRO Real Group.

As a result of certain adjustments and classifications which were implemented in 2006, in order to facilitate comparison between the 2006 Financial Statements and the 2005 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2005 have been reclassified in the 2006 Financial Statements (see Note 2b to the 31 December 2006 Combined Summary Financial Information).

As a result of certain adjustments and classifications which were implemented in 2005, in order to facilitate comparison between the 2005 Financial Statements and the 2004 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2004 have been reclassified in the 2005 Financial Statements (see Note 2b to the 31 December 2005 Combined Summary Financial Information).

The following summary financial information as of and for the six months ended 30 June 2006 and 2005 and the years ended 31 December 2006, 2005, 2004 and 2003 is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the audited *pro forma* combined financial statements of the Bank and ABN AMRO Companies in Brazil, in each case with the notes thereto and reports of the independent auditors thereon, included in this Base Prospectus. The financial statements have been prepared using the Brazilian GAAP. The basis of presentation is further described herein under "Presentation of Financial Information" and in "Brazilian Accounting Methodology."

Balance Sheet Data	**Six months Ended 30 June**		**Year Ended 31 December**			
	2006	**2005**	**2006**	**2005[1]**	**2004[2]**	**2003**
			(R$ in millions)			
Assets						
Cash and banks	1,866	1,491	1,842	1,782	1,335	1,207
Securities	25,091	20,586	32,740	19,988	18,898	16,565
Interbank and interbranch accounts	8,611	6,500	8,262	6,795	5,367	4,812
Loans and foreign exchange	44,786	34,487	69,169	40,464	29,611	26,791
Insurance operations	3	353	4	-	317	271
Other receivables	5,977	4,641	7,221	4,978	4,442	4,035
Current and non-current assets	86,334	68,059	119,238	74,007	59,970	53,682
Permanent	1,677	1,688	1,593	1,657	1,733	1,736
Total assets	**88,011**	**69,747**	**120,831**	**75,664**	**61,703**	**55,417**
Liabilities and Shareholders' Equity						
Deposits	49,316	37,377	55,001	45,315	32,303	26,731
Money market repurchase commitments	5,326	2,481	11,067	2,873	2,523	2,442
Interbank accounts	2,046	1,871	1,210	1,056	913	1,000
Borrowings and repasses	6,946	5,829	9,219	6,600	6,653	6,982
Technical provision (insurance)	2,105	3,441	2,342	1,906	3,217	2,240
Insurance operations	8	119	36	28	127	101
Foreign exchange	4,067	3,396	22,683	3,148	1,946	2,990
Other liabilities	8,983	6,482	8,909	6,115	5,841	5,969
Current and non-current liabilities	**78,797**	**60,997**	**110,467**	**67,055**	**53,523**	**48,454**
Deferred income	44	20	38	32	21	20
Minority Participations	449	408	547	432	383	285
Shareholders' equity	8,721	8,322	9,779	8,159	7,776	6,658
Total liabilities and shareholders' equity	**88,011**	**69,747**	**120,831**	**75,664**	**61,703**	**55,417**

(1) As a result of certain adjustments and classifications which were implemented in 2006, in order to facilitate comparison between the 2006 Financial Statements and the 2005 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2005 have been reclassified in the 2006 Financial Statements (see Note 2b to the 31 December 2006 Combined Summary Financial Information).

(2) As a result of certain adjustments and classifications which were implemented in 2005, in order to facilitate comparison between the 2005 Financial Statements and the 2004 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2004 have been reclassified in the 2005 Financial Statements (see Note 2b to the 31 December 2005 Combined Summary Financial Information).

Combined Income Statements Data[1]	For the six months Ended 30 June		For the years Ended 31 December			
	2006	2005	2006	2005[2]	2004[3]	2003
			(R$ in millions)			
Financial Operations Income						
Loans	5,616	4,330	12,066	9,754	7,911	6,948
Leases	141	96	318	208	142	73
Securities income	1,696	1,155	3,532	2,711	2,224	1,667
Derivatives	442	156	666	383	(267)	–
Trade financial and foreign exchange income	180	149	218	246	278	358
Financial results – insurance, social security, capitalisation	–	47	–	40	77	75
Compulsory investments	333	277	653	611	423	547
Total financial operations income	**8,408**	**6,210**	**17,453**	**13,953**	**10,788**	**9,670**
Financial Operations Expenses						
Deposits, money market and interbank funds	(3,696)	(2,381)	(7,104)	(5,609)	(3,310)	(2,871)
Borrowings and repasses	(141)	(18)	(416)	(226)	(550)	(288)
Actualisation technical provision (insurance, social security, capitalisation)	(1)	(7)	(189)	(158)	(15)	(19)
Allowance for doubtful accounts	(1,190)	(719)	(2,497)	(1,503)	(1,029)	(1,217)
Total financial operations expenses	**(5,028)**	**(3,125)**	**(10,206)**	**(7,496)**	**(4,904)**	**(4,395)**
Net income on Financial Operations	**3,380**	**3,085**	**7,247**	**6,457**	**5,884**	**5,274**
Other Operational Income (Expenses)						
Service fee income	1,457	1,176	3,132	2,615	2,098	1,561
Net results – insurance, private pension plan, capitalisation	27	102	118	113	208	156
Personnel expenses	(1,182)	(1,101)	(2,455)	(2,360)	(2,186)	(2,037)
Other administrative expenses	(1,641)	(1,347)	(3,505)	(2,977)	(2,634)	(2,210)
Administrative expenses	**(2,823)**	**(2,448)**	**(5,960)**	**(5,337)**	(4,820)	(4,248)
Fiscal expenses	(433)	(386)	(950)	(801)	(711)	(563)
Total other administrative expenses	**(3,256)**	**(2,834)**	**(6,910)**	**(6,138)**	**(5,531)**	**(4,811)**
Other income operations	311	280	768	651	430	404
Other expenses operations	(818)	(706)	(1,363)	(1,593)	(1,279)	(1,004)
Equity interest	37	21	29	41	33	(4)
Total other operational income (expenses)	**(2,242)**	**(1,961)**	**(4,226)**	**(4,311)**	**(4,041)**	**(3,697)**
Operating Results	1,138	1,124	3,021	2,146	1,843	1,577
Net non-operating results	(2)	(28)	(19)	(94)	12	(38)
Net Income before Income Taxes and Employee Participation	**1,136**	**1,096**	**3,002**	**2,052**	1,855	1,539
Income and Social Contribution Taxes	(281)	(393)	(559)	(322)	(368)	(217)
Employee Participation	(143)	(121)	(349)	(248)	(202)	(175)
Minority Participations	(26)	(21)	(46)	(45)	(43)	(10)
Net Income	**686**	**561**	**2,048**	**1,436**	**1,242**	**1,137**
Goodwill amortisation expenses [4]	184	160		356	515	601
Goodwill Impact (Net of Tax Effects)	121	106		235	340	396

(1) See note (1) to Balance Sheet Data.

(2) As a result of certain adjustments and classifications which were implemented in 2006, in order to facilitate comparison between the 2006 Financial Statements and the 2005 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2005 have been reclassified in the 2006 Financial Statements (see Note 2b to the 31 December 2006 Combined Summary Financial Information).

(3) As a result of certain adjustments and classifications which were implemented in 2005, in order to facilitate comparison between the 2005 Financial Statements and the 2004 Financial Statements, and in accordance with the Accounting Practices Adopted in Brazil, certain accounting balances at 31 December 2004 have been reclassified in the 2005 Financial Statements (see Note 2b to the 31 December 2005 Combined Summary Financial Information).

(4) Relates to goodwill in the acquisition of investments, represented by companies that were later incorporate, based on the perspective of future profitability. The amortisation is being accomplished in one period of five years.

The combined financial information for the six months ended 30 June 2006 includes information from the audited financial statements of each of the following entities: Banco ABN AMRO Real S.A., Banco de Pernambuco S.A. – BANDEPE, ABN AMRO Arrendamento Mercantil S.A., Real Capitalização S.A.,

Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários, ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A., Banco Sudameris Brasil S.A., Banco Sudameris de Investimento S.A., Banco Comercial e de Investimento Sudameris S.A., Sudameris Distribuidora de Títulos e Valores Mobiliários S.A., Sudameris Arrendamento Mercantil S.A., Sudameris Vida e Previdência S.A., ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., Real Tokio Marine Vida e Previdência S.A., ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A., Companhia Brasileira de Meios de Pagamento (Visanet), Aymoré Crédito, Financiamento e Investimento S.A., Cia. de Crédito, Financiamento e Investimento Renault do Brasil and Cia. de Arrendamento Mercantil Renault do Brasil.

The combined financial information for the six months ended 30 June 2005 includes information from the audited financial statements of each of the following entities: Banco ABN AMRO Real S.A., Banco de Pernambuco S.A. – BANDEPE, ABN AMRO Arrendamento Mercantil S.A., Real Capitalização S.A., Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários, ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A., Banco Sudameris Brasil S.A., Banco Sudameris de Investimento S.A., Banco Comercial e de Investimento Sudameris S.A., Sudameris Distribuidora de Títulos e Valores Mobiliários S.A., Sudameris Arrendamento Mercantil S.A., Sudameris Vida e Previdência S.A., ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., Real Tokio Marine Vida e Previdência S.A., ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A., Companhia Brasileira de Meios de Pagamento (Visanet), Tokyo Marine Seguradora S.A., ABN AMRO Asset Management S.A., Cia. de Crédito, Financiamento e Investimento Renault do Brasil and Cia. de Arrendamento Mercantil Renault do Brasil.

The combined financial information for the year ended 31 December 2006 includes information from the audited financial statements of each of the following entities: Banco ABN AMRO Real S.A., Banco de Pernambuco S.A. – BANDEPE, ABN AMRO Arrendamento Mercantil S.A., Real Capitalização S.A., Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários, ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A., Banco Sudameris Brasil S.A., Banco Comercial e de Investimento Sudameris S.A., Sudameris Distribuidora de Títulos e Valores Mobiliários S.A., Sudameris Arrendamento Mercantil S.A., ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., Real Tokio Marine Vida e Previdência S.A., ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A., Companhia Brasileira de Meios de Pagamento (Visanet), Aymoré Crédito, Financiamento e Investimento S.A., Cia. de Crédito, Financiamento e Investimento Renault do Brasil, Cia. de Arrendamento Mercantil Renault do Brasil and Real Corretora de Seguros S.A..

The combined financial information for the year ended 31 December 2005 includes information from the audited financial statements of each of the following entities: Banco ABN AMRO Real S.A., Banco de Pernambuco S.A. – BANDEPE, ABN AMRO Arrendamento Mercantil S.A., Real Capitalização S.A., Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários, ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A., Banco Sudameris Brasil S.A., Banco Sudameris de Investimento S.A., Banco Comercial e de Investimento Sudameris S.A., Sudameris Distribuidora de Títulos e Valores Mobiliários S.A., Sudameris Arrendamento Mercantil S.A., Sudameris Vida e Previdência S.A., ABN AMRO Asset Management Distribuidora de Títulos e Valores Mobiliários S.A., Real Tokio Marine Vida e Previdência S.A., ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A., Companhia Brasileira de Meios de Pagamento (Visanet), Aymoré Crédito, Financiamento e Investimento S.A., Cia. de Crédito, Financiamento e Investimento Renault do Brasil and Cia. de Arrendamento Mercantil Renault do Brasil.

The combined financial information for the year ended 31 December 2004 includes information from the audited financial statements of each of the following entities: Banco ABN AMRO Real S.A., Banco de Pernambuco S.A. - BANDEPE, ABN AMRO Arrendamento Mercantil S.A., Banco Sudameris Brasil

S.A., Banco Comercial e de Investimento Sudameris S.A., Real Seguros S.A., Real Capitalização S.A., Real Vida e Previdência S.A., Companhia Real de Valores – Distribuidora de Títulos e Valores Mobiliários, Bandepe – Distribuidora de Títulos e Valores Mobiliários S.A., ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A., Banco Sudameris de Investimento S.A., Sudameris Distribuidora de Títulos e Valores Mobiliários S.A., Sudameris Arrendamento Mercantil S.A., ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A., Sudameris Vida e Previdência S.A., Cia. de Crédito, Financiamento e Investimento Renault do Brasil and Cia. de Arrendamento Mercantil Renault do Brasil.

The combined financial information for the year ended 31 December 2003 includes information from the audited financial statements of each of the following entities: Banco ABN AMRO Real S.A., Banco de Pernambuco S.A. – BANDEPE, ABN AMRO Arrendamento Mercantil S.A., Banco Sudameris Brasil S.A., Banco Comercial e de Investimento Sudameris S.A., Real Seguros S.A., Real Capitalização S.A., Real Vida e Previdência S.A., Companhia Real de Valores - Distribuidora de Títulos e Valores Mobiliários, Bandepe – Distribuidora de Títulos e Valores Mobiliários S.A., ABN AMRO Securities (Brasil) Corretora de Valores Mobiliários S.A., Banco Sudameris de Investimento S.A., Sudameris Distribuidora de Títulos e Valores Mobiliários S.A., Sudameris Arrendamento Mercantil S.A., Sudameris Corretora de Câmbio e Valores Mobiliários Ltda., Sudameris Generali Cia. Nacional de Seguros e Previdência Privada, Cia. de Crédito, Financiamento e Investimento Renault do Brasil and Cia. de Arrendamento Mercantil Renault do Brasil.

BUSINESS OF BANCO ABN AMRO REAL S.A.

Overview

The operations of the Bank are focused on short-term and long-term commercial lending operations to multinational and large Brazilian corporations, retail banking services, consumer finance and foreign exchange transactions, and on providing domestic and international finance and capital markets services.

Prior to 2004, the Bank's operations was organised into three strategic business units ("SBUs") to reflect the world-wide ABN AMRO Group organisational structure: (i) Wholesale Clients ("WCS"), which combined the Bank's investment banking and corporate banking activities to serve large corporate, institutional and public-sector clients on a global basis ("Wholesale Clients"); (ii) Consumer and Commercial Clients ("C&CC), which was directed at services for consumers and small and medium-sized corporate clients ("SMCs") in Brazil ("C&CC Clients"); and (iii) Asset Management, which was responsible for the fund management businesses of the Bank. Approximately two-thirds of the Bank's business is concentrated in the C&CC segment. Each SBU had the responsibility for managing a distinct segment of the Bank's clients.

During the second half of 2004, the Bank introduced the "Empresas Strategy", a local strategy which covers the business banking market for Brazilian clients with annual revenues over U.S.$30 million, and the products and services offered to these clients. The "Empresas Strategy" has been implemented as of 1 January 2005, aiming at: (i) taking advantage of the broad client range through an integrated approach to such clients and a multi-segment participation; (ii) maintaining and increasing its market share in the large corporation segment, using ABN AMRO's global capabilities as a differential in relation to its competitors; and (iii) improving its efficiency in low-end corporate and middle market segments to increase its market share.

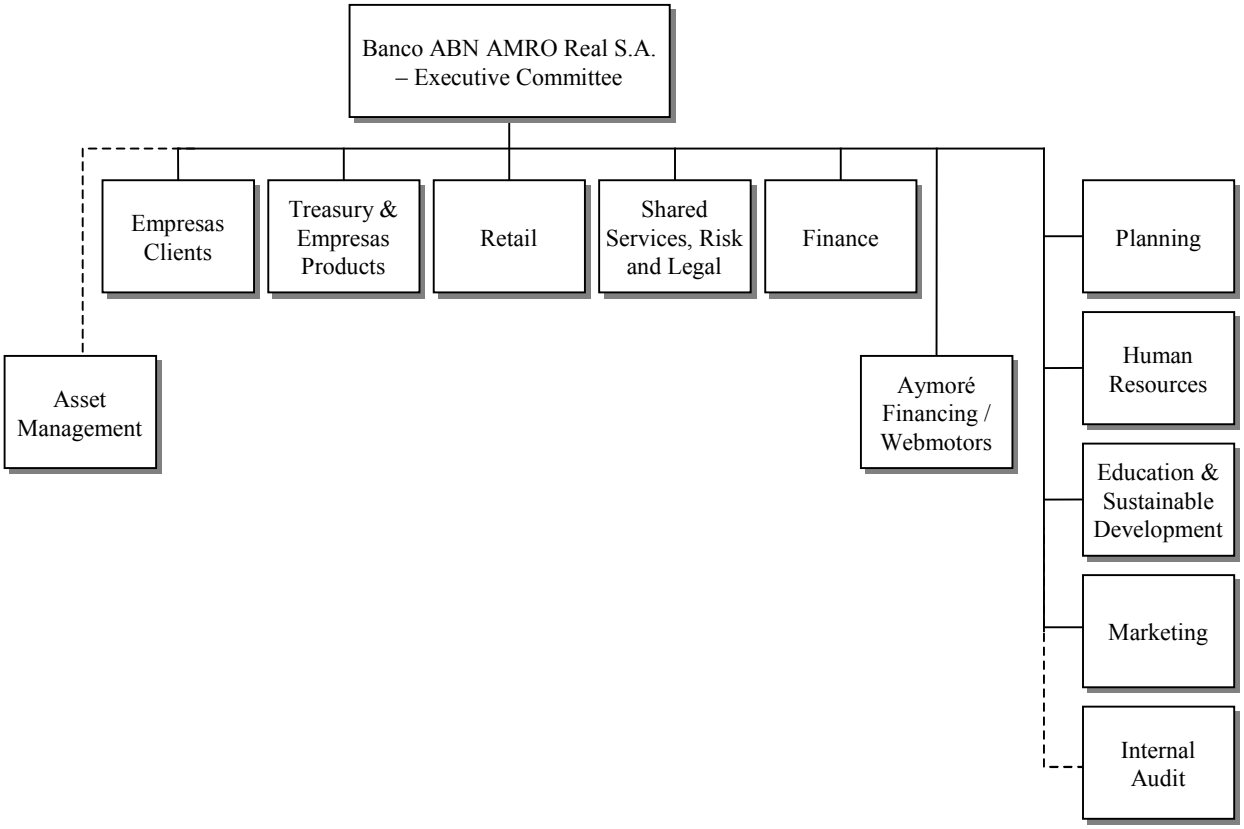
The Empresas Strategy is based on five pillars, which collectively address the opportunities described above: Client Coverage, Single Product Platform, Value Chain, Client Teams and Industry Communities. See "Empresas Clients."

Client Coverage Approach: the relationship management and origination are co-ordinated and focused through the client organisation. Each relationship manager, whether a senior banker serving the largest client or a middle market regional manager, leads account strategy and planning, origination and relationship management. Senior bankers and industry regional managers, therefore, are both the primary contacts for Empresas. Product areas play an important role in client coverage through their partnership with the senior bankers and the client. The corporate finance area works together with senior bankers in the origination and lead execution of transactions, which was previously jointly performed by WCS and C&CC.

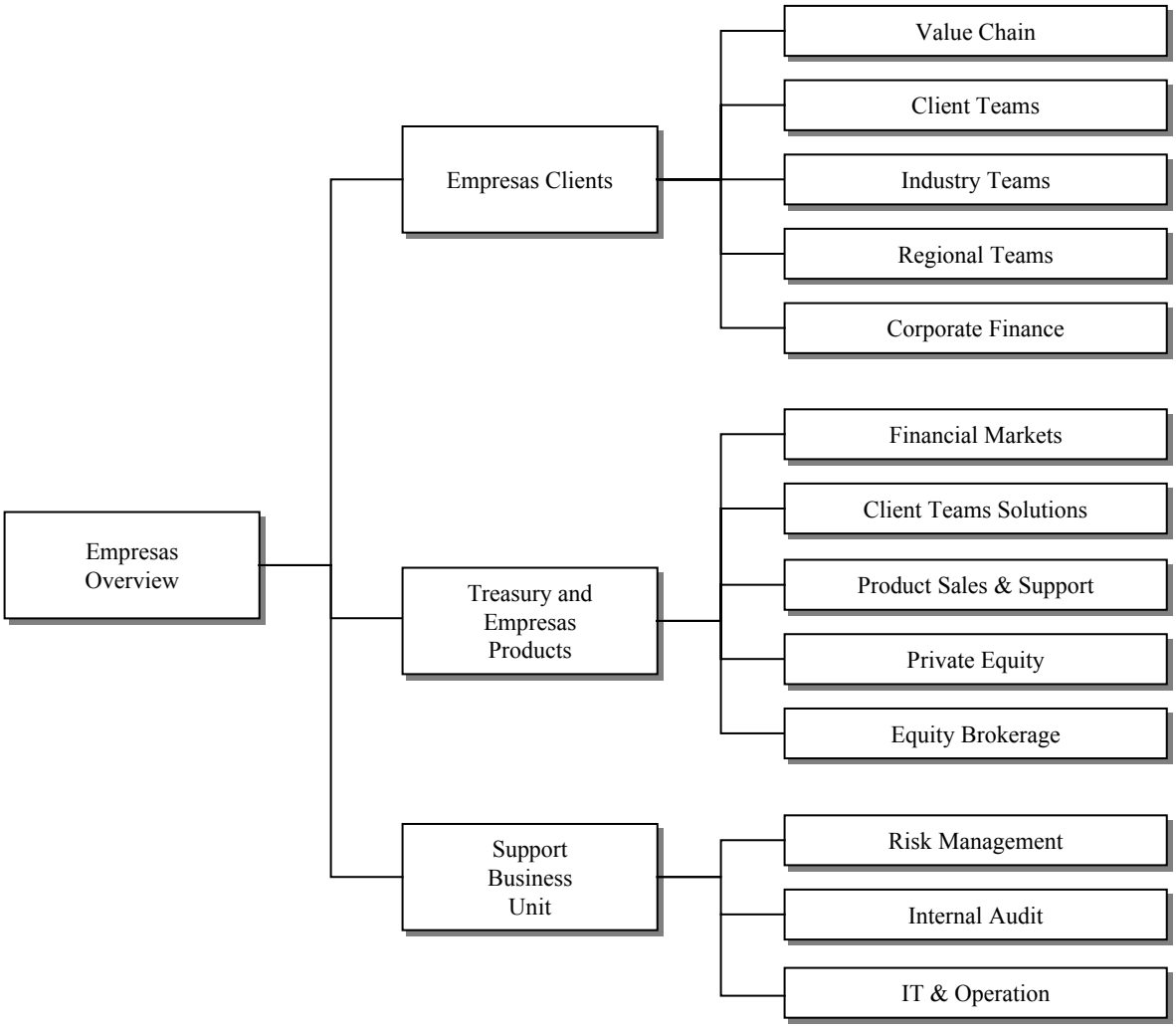
Empresas Sales Products is organised in three major areas: (i) Financial Markets, which manages financial markets products and services and leverage global capabilities; (ii) Client Team Solutions, which represents a specialist sales resource for the top 75 clients of the Bank and provides implementation support; and (iii) Product Sales & Support, which primarily focuses on standard sales.

For a discussion of Value Chain, Client Teams and Industry Communities see "Empresas Clients".

The current organisational structure of the Bank is set out in the chart below:



The chart below summarises the structure of the Empresas Clients and the Treasury and Empresas Products:



Empresas Clients

The Empresa Clients combines the Bank's investment banking and corporate banking activities to serve the needs of large corporate, institutional and public sector clients on a global basis. This unit comprises eight product business units, which provide a full range of tailored advisory, financial and operational services to the Bank's clients. The Empresas Clients' primary target clients are large multinationals and large Brazilian corporations. As of 31 December 2006, the Client Teams Unit and Industry Teams Unit maintained a relationship with approximately 712 of the largest corporate groups in Brazil. These clients represent a broad cross-section of Brazilian companies and are serviced by two relationship management business units, each of which is responsible for a key industry sector.

Value Chain

Value Chain is a dedicated unit created to provide solutions to the Bank's clients' clients, suppliers, employees and shareholders. It is closely linked to product development and market intelligence, including a co-ordinator role within Empresas Industry Communities.

Client Teams

Client Teams comprise two distinct groups and four segments as follows:

1. Large Clients, including (i) a small number of very large and global clients that require, and pay for, specialised tailored solutions; and (ii) a large number of clients with smaller portfolios that require efficient and competitive solutions. These clients are managed in three distinct segments: (a) "Client Teams", with senior bankers and product specialists delivering tailored solutions and advice; (b) "Industry Teams", with managers with industry knowledge and product generalists, serving large and global clients with high quality and efficient integrated solutions; and (c) "Regional Teams", with regional managers as business facilitators who will deliver efficient integrated solutions (through product generalists) and are organised in a regional structure to assure proximity with the client; and

2. Middle Market Clients, who require standard working capital, transactional, trade and investments financing services, including (i) "Middle Market Clients", with regional manager organised in local structures offering standard solutions; and (ii) "Retail Clients", with annual income between R$30 million and R$150 million.

Industry Teams

Client teams and industry teams are organised by industry. Both these segments, as well as the regional teams, participate in Industry Communities, chaired by senior bankers, co-ordinated by the Value Chain team and connected to the relevant part of the Empresas organisation. Also, Credit Risk is developing a similar industry communities structure that mirrors the client communities.

Regional Teams

Regional teams are responsible for co-ordinating and contacting clients which require less sophisticated products. These clients are usually suppliers or clients of large industries. These clients demand less complex products and are, as a result, divided by region.

Corporate Finance

Corporate finance forms an integral part of the broad-based relationships that the Bank develops with its clients, providing them with financial advice relating to a broad range of corporate finance activities including mergers and acquisitions, privatisations, demergers, joint ventures, private placements, divestments, initial public offerings, secondary issues, corporate restructurings and equity capital raisings.

The Corporate Finance business unit in Brazil provides corporate finance services to both Empresas and Retail Clients. In providing these services, the Corporate Finance business unit works with the relevant relationship managers (which in the Empresas Strategy are organised by industry sector) to obtain a better understanding of the client's business and advisory needs. In addition, the Corporate Finance business unit also provides origination and execution services to its own clients in Brazil, including for example,

shareholders of companies involved in relevant corporate finance transactions. In addition, the Corporate Finance business unit in Brazil works in co-ordination with the corporate finance professionals in ABN AMRO Bank N.V.'s global Corporate Finance network (who are based in London, Amsterdam, Hong Kong and Sidney). Advisory services in equity capital markets are conducted mainly through ABN AMRO Rothschild, ABN AMRO Bank N.V.'s joint venture with the Rothschild Group.

Another service provided within the Corporate Finance business unit is financial engineering. The Global Financial Engineering Group delivers products that provide tax- or accounting-driven structures (mainly cross-border) to clients on a worldwide basis. Principal products offered by the Global Financial Engineering Group include structured debt/equity offerings, withholding tax products, structured film finance, cross-border leasing arrangements, synthetic leases, and lease defeasance.

Treasury and Empresas Products

Financial Markets

The Financial Markets ("FM") business unit of the Bank comprises approximately 50 people working in four areas: money markets, retail market, credit markets and portfolio management. The FM business unit provides a broad range of products and services, including government securities, syndicated loans, leverage financing, asset securitisations, origination, underwriting, primary and secondary distributions, money market and short-term interest rate products, interest rate and cross-currency derivatives, and spot and forward foreign exchange options. In addition, the FM business unit provides structuring and advisory services, research services and Web-based delivery of information and products to the Bank's clients.

Money Markets. The Bank's money markets desk undertakes trading, pricing, and liquidity management operations, through three separate desks. The trading desk deals in the spot foreign exchange market in government securities and in interest rate and exchange rate futures. All foreign exchange transactions are settled in *Reais*. The FM's trading activities also include a pricing desk which sets competitive prices for all FM products in an attempt to meet the Bank's clients' needs, thereby helping its distribution effort, and allowing the trading desk to focus on its core operations. Finally, the liquidity desk performs cash management operations and is responsible for ensuring that the Bank is in compliance with relevant Central Bank requirements.

Retail Market. Retail Market is performed by two desks: the wholesale clients' desk and the middle-corporate desk. The structure of the distribution team is designed to service the Bank's Wholesale Clients and to provide a service to its Retail Clients. These two desks undertake generally the same operations for each client type, being sales of asset or liability products that require competitive pricing. The distribution desks provide a wide range of financial products including derivatives, trade finance, foreign exchange transactions and funding.

Credit Markets. The Bank's Credit Markets department offers the following services to its clients:

(i) Debt capital markets area, which has had a leading role in the placement of Brazilian debt instruments and is seeking to increase its share of this market. In addition, the Bank has been an active participant in the newly developing local corporate debentures market. The Bank's international capital markets activities, which it originates on behalf of ABN AMRO Bank N.V., includes underwriting, lead-managing, syndicating and participating in facilities such as commercial paper, eurobonds and asset backed securitisation issues for Brazilian sovereign and private entities which are distributed through the international network of the ABN AMRO Group.

(ii) Cross-Border Structured Finance ("CBSF") area, which specialises in providing long-term solutions for financing its client's strategic projects. Its core skill is to distribute specific risks (commercial and political) associated with cross-border lending and investment to the most effective risk takers, whether public sector (ECAs, development banks, multilaterals, bilaterals), or private sector (insurers, banks, investors etc). CBSF's strategy towards this business is to optimise this approach to deliver a broader, more value-added range of solutions to the Bank's clients.

(iii) Emerging Markets Structuring Brazil (Project Finance & Advisory) ("EMS Brazil"), which is a global specialty group at ABN AMRO offering a wide range of limited recourse project and corporate financing alternatives and instruments. EMS Brazil brings the industry focus, the analytical and structuring skills necessary to assist clients to devise the best financing solution among the alternatives available at the Bank and at the market. The EMS Brazil team has a long and successful track record in the energy, infrastructure and oil & gas industries in Brazil and has consistently topped market rankings.

Economic Research

The Economic Research area uses an extensive database to provide forecasts of economic activity, gross domestic product growth, trade balance, interest rates, exchange rates, inflation, and other economic indicators in respect of Brazil which are monitored on a daily basis, and produces daily, weekly and monthly reports for use within the Bank to support its daily trading activities and for distribution to clients.

Client Teams Solutions

Clients Teams Solutions is comprised of specialists who focus on the Bank's selected 75 top clients offering loans and specific products such as cash management and treasury.

Product Sales & Support

Product Sales & Support offers standard products to the Bank's clients.

Private Equity

ABN AMRO's Private Equity group in Brazil is comprised of four professionals based in São Paulo and has been selected to manage the InfraBrasil Fundo de Investimento en Participações and the Brazilian Infrastructure Investment Fund (InfraBrasil BIIF).

The InfraBrasil BIIF, a mezzanine, closed-end, fifteen year term financing fund targeted at infrastructure projects in Brazil, is expected to hold US$242 million in commitments from institutional investors, in addition to a US$4,375 million loan from the Inter-American Development Bank (IDB), making it one of the largest local private equity funds. InfraBrasil BIIF is sponsored by the IDB the and has as potential cornerstone investors three of the largest Brazilian pension funds. The fund will invest in projects falling within the following scope:

- energy (distribution, transmission and generation);
- gas transport and distribution;
- transports including toll roads, railroads, urban transportation systems, ports and airports;

- water and sewage treatment systems, recycling and irrigation systems; and
- Telecom including fixed-line, wireless and satellite systems and long-distance cable.

As the fund manager, the Bank is responsible for the selection, analysis, negotiation and management of the infrastructure investments. In order to achieve this the Bank relies on the expertise of its private equity and project finance teams as well as on outside consultants, when necessary. Investments are approved by an investment committee composed by representatives of the investors and of the Bank.

Equity Brokerage

The Equity Brokerage business unit was re-established within ABN AMRO Group after Sudameris' acquisition. The former Sudameris Corretora de Câmbio e Valores Mobiliários S.A. was established in 1983 as a full-fledged brokerage house. It currently operates under the name of ABN AMRO Real Corretora de Câmbio e Valores Mobiliários S.A. and is duly authorised by the Central Bank, BOVESPA and BM&F.

The unit team comprises eight researchers based in São Paulo, covering over 15 economic sectors and some 100 BOVESPA listed companies. The research team activities are coordinated locally and their reports are combined with those of our economics department, enabling the Equities Brokerage unit to aggregate value for its clients.

Relationship Management Business Units

As part of the Empresas SBU there are seven relationship management business units, which cover specific industry sectors that the Bank has decided are of strategic importance to it, and through which the Bank's corporate and investment banking activities are conducted. These sectors are: (i) Automotive, Consumer Goods and Diversified Industries; (ii) Integrated Energy; (iii) Chemical, Metal and Mining; (iv) Healthcare; (v) Financial Institutions; (vi) Public Sector; and (vii) Telecommunications, Media and Technology.

Through these relationship management business units, the Bank has improved its relationship management capabilities and created one integrated origination force, organised by its key client sectors. These client sector teams are responsible for developing relationships with clients and establishing a thorough understanding of their business objectives and challenges. The relationship management business units work closely with the Bank's product experts in the product business units to try to ensure that the advisory and financing services and products that the client sector teams offer take advantage of the full range of the Bank's products and services.

As of 31 December 2006, 30 people were employed in the relationship management business units of the Empresas SBU and each relationship manager had responsibility for approximately 4 clients.

Support Business Unit

Risk Management

Prior to January 2005, the Bank had two Risk Management Support Business Units: one for the Empresas portfolio and one for the Retail portfolio. In January 2005, with the implementation of the new business model (see "— Overview"), Empresas manages both former C&CC and WCS portfolios under the Empresas Credit Risk Management Department ("Empresas CRM").

Empresas CRM is divided as follows:

- Credit Analysis;
- Advisory, Policy and Hub functions;
- Credit Management; and
- FRR – Financial Restructuring and Recovery.

In general, credit requests are originated by the relationship managers and are submitted to the Credit Analysis Team or to Credit Portfolio Management (in case the client falls within the client segment named Client Team), in order to prepare a credit proposal. The credit proposals will include details of the requested limits, information on the client's business and financial analysis as well information regarding the relationship with ABN AMRO Bank worldwide. An analysis is also made of the company's social and environmental risks. Once completed, the credit proposal is submitted to the respective credit committee.

Brazil's Risk Management's credit authority is EUR75 million and also has responsibility over proposals from Paraguay and Uruguay that exceed their country authority and are submitted to the Brazil Hub Credit Committee ("BHCC"). All proposals exceeding the Brazilian or the BHCC authorities are submitted to the Group Risk Management Division in Amsterdam. All proposals that require a final approval from Amsterdam must be reviewed and recommended by the Empresas Advisory Team.

Any proposal that falls within the Brazilian and BHCC authorities are presented to the corresponding credit committee in Brazil according to the table below. Each proposal will include the respective credit analyst's recommendation to approve, decline or modify.

Empresas CRM is comprised of seven committees, as set out below.

Credit Committee	UCR Rating	Final Authority (*EUR in millions*)	Main Mandate
Empresas Senior Executive Credit Committee **(ESECC)**	1, 2+, 2, 2-, 3+, 3, 3-, 4+, 4, 4-, 5+, 5, 5-, 6+	75.0 37.5 25.0	Decides on policy issues, large local credit exposures and portfolio matters, and on credit proposal of Retail and Empresas Clients.
Brazil Hub Credit Committee **(BHCC)**	1, 2+, 2, 2-, 3+, 3, 3-, 4+, 4, 4-, 5+, 5, 5-, 6+	75.0 37.5 25.0	Decides on policy issues, large local credit exposures, policies and portfolio matters related to other Retail countries in Latin America (Paraguay and Uruguay).
Empresas Financial Restructuring and Recovery Committee **(EFRRC)**	FRR clients	12.5	Decides on all Empresas FRR names including Uruguay and Paraguay, as well as provisions / write-offs levels.
Empresas Credit Committee **(ECC)**	Non-FRR Clients	12.5	Decides on credit proposals originated by PM and Credit Analysis Team with GOOE up to amounts set aside.
Empresas Permanent Credit Committee (**CPE)**	Non-FRR Clients	4.0	Decides on credit proposals originated by the Credit Analysis Team with GOOE up to amounts set aside.
Large Permanent Credit Committee (**CPC 2**)	1, 2+, 2, 2-, 3+, 3, 3-, 4+, 4, 4-	2.0	Decides on credit proposals with GOOE below EUR2 million, prepared by the RM.
Small Permanent Credit Committee (**CPC 1**)	1, 2+, 2, 2, 3+, 3, 3-, 4+, 4, 4-	0.75	Decides on credit proposals with GOOE below EUR750 thousand prepared by the RM.

(a) Delegated authority of EUR300 million (peak outstanding) for review of existing programs.

(b) Delegated authority of EUR150 million (peak outstanding) for new programs.

(c) GOOE = Global One Obligor Exposure (credit facilities granted to the same economic group).

The Bank uses an internal credit risk system. All counterparties of the Empresas Portfolio have an assigned UCR (Uniform Counterparty Rating). This system ranks companies in UCRs from One to Eight, based on both quantitative and qualitative criteria. Quantitative elements include a review of financial status, such as balance sheet information. Qualitative elements involve the consideration of non-empirical factors, such as quality of a management team, the availability of contingencies and outstanding shareholder issues. The system also takes into consideration an evaluation of country-specific macroeconomic risks.

In general terms:

- Counterparts rated UCR 1, 2+, 2 and 2- have very low probabilities of default and have very good access to the public local / international financial markets.

- Counterparts rated UCR 3+, 3 and 3- are investment grade with relatively low probabilities of default and have normal access to these financial markets.

- Counterparts rated UCR 4+ and below have average to higher probabilities of default with limited access to these markets.

The following table illustrates the Bank's UCR System:

Risk Management SBU

UCR	Quality
1	Prime quality and risk factors are almost negligible and has a very strong capacity to meet its financial obligations.
2+	Very strong quality and has a very good capacity to meet its financial obligations.
2	Strong quality and has a good capacity to meet its financial obligations.
2-	Relatively strong quality and has a rather good capacity to meet its financial obligations.
3+	Very acceptable quality and has a very adequate capacity to meet its financial obligations.
3	Acceptable quality and has adequate capacity to meet its financial obligations.
3-	Relatively acceptable quality and has adequate capacity to meet its financial obligations.
4+	Very sufficient quality, but should be watched as its capacity to meet its financial obligations in the medium term could be affected.
4	Sufficient quality but should be watched as its capacity to meet its financial obligations in the medium term is likely to be affected.
4-	Relatively sufficient, but should be watched as the capacity to meet its financial obligations in the medium term is very likely to be affected.
5+	Somewhat weak quality and risk is above average.
5	Weak quality and risk is above average.
5-	Very weak quality and credit risk is obviously above average and it needs special attention.
6+	Sub-standard quality and is demonstrably vulnerable to default.
6	In default according to the ABN AMRO definition of default.
7	In default according to the ABN AMRO definition of default and high risk of discontinuity of business.
8	Counterpart has (*de facto*) stopped trading and/or is in liquidation and/or has been declared bankrupt.

It is ABN AMRO Group's worldwide policy to review all facilities at least once a year. However, as a rule all counterparts with rating UCR 4+ or worse are reviewed on a semi-annual basis. All counterparts that the approval authority falls within CPC 1, will require a semi-annual review irrespective of the UCR. Any corporate client may be downgraded whenever deterioration in its relevant market and / or industry is observed or the Bank becomes aware of factors that may have a negative effect on the client.

In addition, with the introduction of Resolution No. 2,682, beginning on 1 March 2000 the Central Bank implemented rules for establishing the provision for doubtful debtors that replaced those set forth in Resolution No. 1,748/90. See "The Brazilian Financial System — Treatment of Overdue Debts". In order to comply with the new rules, the Bank uses the ABN AMRO global methodology as a first step and then makes the necessary adjustments or reclassifications to its internal systems to conform to Resolution No. 2,682. While the Central Bank methodology focuses on past due loan and respective provisioning, ABN AMRO's methodology focuses on the quality of the credit itself and its rating. Following the adjustments described above, the Bank's criteria are in compliance with the Central Bank's methodology.

Retail (Consumer and Commercial Clients)

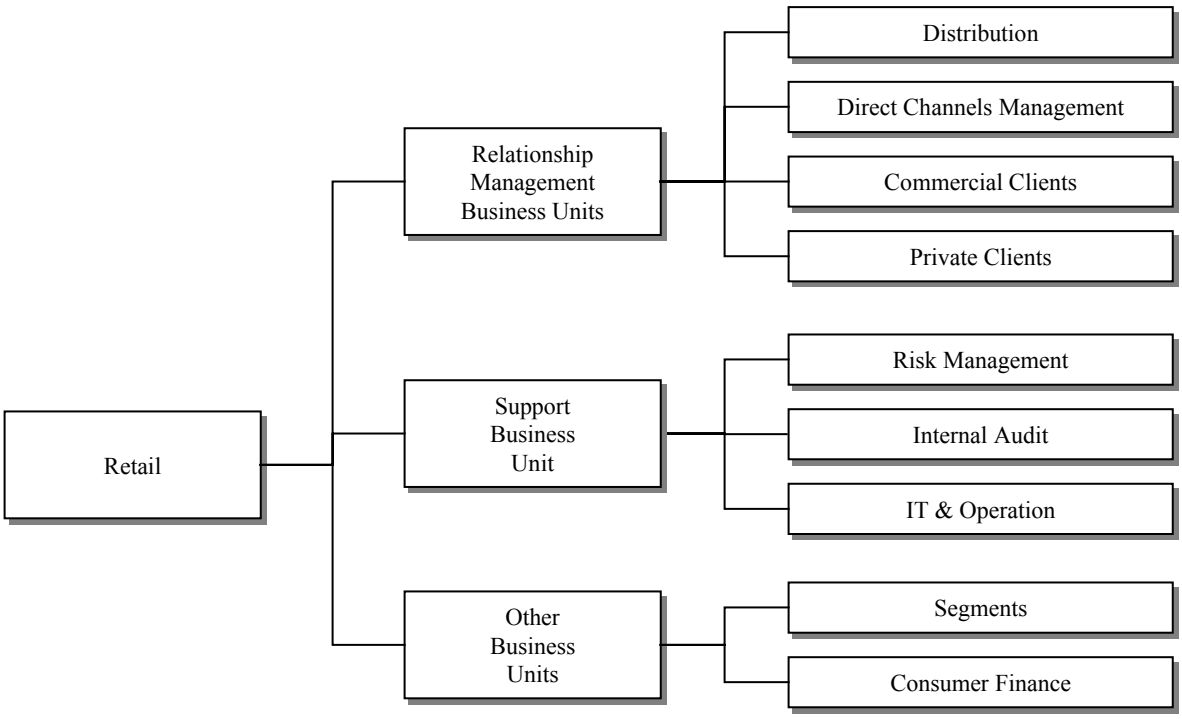
The Retail strategic business unit (the "Retail SBU") is responsible for servicing the Bank's retail, small and medium-sized enterprises and select corporate clients (not allocated to Empresas), and provides retail banking, consumer finance and insurance products and services. The Retail SBU has a major presence in Brazil, which is one of the three key markets on which the ABN AMRO Group focuses in terms of retail banking activities, and approximately two-thirds of the Bank's business is concentrated in this segment.

The Bank's retail business mainly targets demand deposit accounts' customers, offering traditional banking products that meet the financial servicing needs of its customers. It also targets non-demand deposit accounts' customers when it assesses that the product characteristics and the risks involved reveal a commercially viable and profitable option, offering services such as credit cards and payroll-deducted loans.

The Bank has recently made efforts to segment its retail banking business, identifying the financial service needs of customer segment and shifting its commercial approach from a product-driven perspective to a customer-driven one. The Bank has aligned its marketing and commercial strategies with the unique characteristics of the individual customer segments. See "—Overview".

The Retail activities are principally conducted through the Bank's 1,097 branches in Brazil, and, in addition to its individual customers, its target clients are small Brazilian companies with annual sales below R$30 million. Retail also maintains relationships with certain companies with annual sales of greater than US$29 million.

The following chart summarises the structure of the Retail SBU:



Relationship Management Business Units

The Retail SBU comprises four relationship management business units: Distribution, Business Development, Commercial Clients and Private Clients. As of 31 December 2006, approximately 13,887 people were employed in the relationship management business units of Retail.

Distribution

Since the acquisition of Banco Real, the Bank has had an important position in the Brazilian retail bank market. By the time of the acquisition, Banco Real was one of the 10 largest retail banks in Brazil, with more than 2,000 branches. Given the strength and recognition of the "Banco Real" brand name in the retail market, the Bank continued to operate its retail banking business under this name. At 31 December 2006 the retail banking business of the Bank consisted of approximately 4 million customers serviced by more than 3,000 branches, 1,091 of them full service branches, 885 of them located inside companies and 1,718 electronic kiosks. In addition, the Bank had an ATM network of 9,200 machines.

Under the Bank's management, the Distribution unit has concentrated its efforts on improving the productivity of the branches. This process required investments aimed at training employees in key areas such as client management, products, credit and operations. The Bank has invested more than R$12 million in training.

As part of its selective growth strategy, since the acquisition of Banco Real until 2006, the Bank opened 75 new branches and relocated 40 branches, particularly in the Southeast region in Brazil. Aligned with

its segmentation strategy, the Bank has already defined a model branch specially designed to fulfil the differentiated needs and expectations of each segment of its customers. This new model branch is tailored by layout and merchandising and combines a new approach to organising the branch team around different client segments aimed at delivering improved services for each of the customer segments.

In addition, the Bank also undertook a full and comprehensive analysis of the branch network profitability. This process is maintained on a permanent basis giving support to open, relocate and close branches or even to improve practices amongst managers.

Direct Channels Management

The Direct Channels Management unit develops and manages direct distribution channels for the Bank's retail products and services, such as ATMs, call centres, Internet and mobile banking ("WAP"). The Bank has also developed alternative distribution channels such as mobile banking and financial alerts through SMS and e-mail.

ATMs. The Bank has 9,200 ATMs and aims to have a network of approximately 9,500 ATMs by 30 June 2007. In addition, the Bank has introduced ATM kiosks (500 units as of 30 December 2006), which are stand-alone ATM facilities. These kiosks are strategically placed in shopping areas and other public places and provide 24-hour banking services for customers.

Call Centre. The Bank also operates a 24-hour call Center that is staffed by its own employees who are trained in client management and products and services. The Bank intends to continue to invest in the modernisation of its call centre and has introduced state-of-the-art technology and a phone system which is compatible with world class standards for electronic services and relationship centres. The call centre services approximately 1 million customers, 7 million calls and 11 million transactions per month.

Internet and Mobile Banking. The Bank offers a full Internet banking service. All transaction services, which the Bank offers to its customers through the traditional branch network, are offered to customers on a real-time basis via its Internet banking facilities. Approximately 1 million of the Bank's clients use the Internet banking services with a volume of approximately 12 million transactions being processed per month. Having connected its entire network on-line on a real-time basis, the Bank continues to invest in expanding self-service channels.

Currently, approximately 86% of all banking transactions are processed through the Bank's alternative distribution channels, with only 14% being processed through the traditional branch network. These alternative channels enable the Bank to provide banking services at lower costs and increased efficiency. The Bank has also developed further alternative distribution channels such as mobile banking and e-mail banking.

Commercial Clients

The Commercial Clients relationship management business unit is responsible for managing the Bank's relationship with, and the provision of products and services to, its small and medium-sized and select corporate clients. In the middle–market area, there is no client segmentation based on sector as there is in the Empresas SBU; rather, Retail operates on a geographic approach.

Private Clients

The Private Client unit provides financial services to high net worth individuals, currently those with a minimum portfolio of U.S.$1 million of assets available for investment. Such financial services include

advisory services, discretionary portfolio management services, treasury products, risk management services, investment funds, banking services, estate planning and fiduciary services. The Private Client unit had 1,763 clients and 23 relationship managers at 31 December 2006, providing domestic services to the entire country through its offices located in São Paulo, Rio de Janeiro and Belo Horizonte.

Support Business Units

Risk Management

Program Lending. Under the program lending approach, automated underwriting, account maintenance and collection processes are in place. Exceptions are kept to a minimum and segregated for case-by-case analysis. Such standardised credit and collection processes are a key underlying principle to managing program lending driven portfolios. The retail lending processes that apply to a specific risk asset product are approved via Product Programs. An approved Product Program presents profitability forecasts for the product in question and stipulates the maximum portfolio size and permitted outstanding amount for the following 12-month period. For existing products, local authority to approve Product Programs is EUR300 million in outstanding amount. For new products, local authority is EUR150 million. Product Programs with outstanding amounts over these limits require head office (GRM-PL) approval.

Retail Credit. In the Bank's retail credit environment, credit policy and strategic decision-making are centralised to ensure consistency. Relationship managers throughout the branch network exercise delegated authority, monitor customers and manage existing credit facilities. The Bank develops tools to allow relationship officers to automatically grant and maintain credit facilities, ensuring, at the same time, that risks are controlled. In order to meet these two requirements, the Bank uses statistical scoring models and a formula lending approach in the underwriting processes. At the relationship manager's discretion, the manager may prepare a credit application for a preliminary analysis and approval. The request is then submitted to the applicable credit committee for final approval. Approval authority is structured around the amount of the credit facilities, the guarantees, and the customer's rating. For SME customers with a risk higher than R$50,000, the Bank employs an internal rating system that is applied uniformly throughout the ABN AMRO Group. The rating system ranks companies on the basis of both quantitative and qualitative criteria. Retail credit facilities are renewed periodically, and automatic renewal criteria apply. If a client presents an impaired financial performance, a credit facility may be blocked or even cancelled. Collection efforts are centralised through an in-house call centre, and customer management functions alongside relationship management. External collection agencies are co-ordinated centrally, as are the legal collection activities in conjunction with law firms located throughout the country.

Aymoré Risk Management. On the Consumer Finance segment Risk Management, the key strategic objectives are to:

- enable portfolio growth that is sustainable, controlled and profitable;
- incorporate Basel II concepts into strategic decision-making processes and portfolio management activities;
- enhance automated risk management tools and processes while ensuring that credit decisions are aligned with the customer's risk profile and payment capacity; and
- improve and validate credit policies and procedures on an ongoing basis.

Risk management is aligned with the business goals and plays a key role in supporting the consolidation of the Bank's leadership through sustainable portfolio growth and maintaining the projected profitability

performance. The Aymoré Risk Management area continuously aims to improve risk management tools and human resource capabilities in order to support the business.

The portfolio management is in charge of defining credit policies and procedures, elaborating Product Programs and evaluating programs involving credit risk, developing statistical tools for risk assessment purposes, monitoring portfolio performance and co-ordinating the Basel II project for the unit.

Collections and Recovery's responsibility is to manage early collection efforts via the call centres, monitor and co-ordinate external collection efforts via third-party collection agencies and law firms, and manage yard and auction activities.

Aymoré Credit and Collection Processes. Aymoré Risk Management initiatives have focused on automating process workflow and credit policies. Such initiatives have included the introduction of credit scoring in initiation decisions. These risk assessment capabilities have enabled the Bank to assess the statistical based risk profile for 98% of applications. In addition, Aymoré Risk Management is restructuring the credit initiation process to assure a new rationale that would support the goal of achieving the adequate balance between risk and reward. The new process is based on the following principles:

- *Credit Policies* define the TTD (through the door) population that Aymoré ideally targets for the approval process. Typically there are minimum credit risk and legal requirements;
- *Credit Scoring* is used to ensure profitability and is the main decision-maker; and
- *Verification* minimises fraud and validates customer information.

Since 2004, the collection strategy and processes have been gradually moving from the business area to being under the full responsibility of the risk management unit. The main focus is towards centralisation/regionalisation of processes.

The expected benefits of this credit and collection restructuring processes are: reduced operational costs, standardised procedures, increased productivity, expedited turn-around time, and a new standard for expected loss.

Information Technology

See "—Treasury and Empresas Products—Support Business Units—Information Technology".

Other Business Units

Segments

The Segments unit's role is to identify and understand the different segments of the retail customer base, as well as to interact with the other retail business units. It is responsible for defining when a product should be developed or offered, at what price, to which segment of the Bank's clients and through which channel, in order to ensure the satisfaction of its clients and maximize the value of such product to the Bank.

The Segments unit is divided in seven different areas, as follows:

Area	Responsibility
Market Intelligence	Captures, analyses and distributes customer data to assist other segments.
Individuals Premium (Van Gogh)	Services individual clients from the high-end income range and is divided in two groups: (i) Premium A, serving clients with income over R$8,000 or scores over 300,000; and (ii) Premium B, serving clients with income over R$4,000 or volume of investments over 40,000.
Individuals (Special)	Services individual clients from the intermediate income range (income between R$1,200 and R$3,999).
Individuals (Classic)	Services individual clients from the low-end income range (income lower than R$1,200).
Enterprises	Services two groups of enterprises (i) those with annual sales up to R$300,000 to which a limited range of products is offered; and (ii) those with annual sales between R$300,000 and R$30 million, to which all of the Bank's products and services portfolio is offered.
Affinities, Acquisitions and Relationship Services	Services specific groups of clients (students, lawyers, doctors, etc.)
Public Services	Services provided to public companies' employees.

The Bank has focused on the Individuals Premium segment, also known as Van Gogh, in order to attract and retain high-income clients and gain market share in this very competitive niche. According to data provided by the Brazilian Institute of Applied Economic Research (*Instituto Nacional de Pesquisas Aplicadas*), only 2 million individuals in Brazil (approximately 1% of the population) have a monthly income higher than R$4,000 or an investment volume higher than R$40,000. The Bank currently has 276,000 clients in this segment, who are served by 520 branches (55 of which have a space dedicated for them, the "Van Gogh" space), and 1,122 dedicated managers (some already certified by the National Association of Investment Banks (*Associação Nacional dos Bancos de Investimento* – ANBID)). As a result of the investments made in this segment, the Bank had a return of R$905 million in 2006, a penetration ratio of 5.64 products per account and a client retention rate of 94.4%.

The Bank's affinities, acquisitions and relationship services aims at understanding the clients' needs and their profiles. Through the analysis of this information, the Bank develops commercial strategies to support the units' actions to attract and retain clients. Examples of such strategies are: "Real Dentist", "Real Doctor", "Real Lawyer", "Real Senior", "Real College" and "Real Educator".

Consumer Finance

The Bank's consumer finance activities are carried out through Aymoré Financiamentos, the brand which represents the Bank's Consumer Finance business unit. The main activities of Aymoré Financiamentos are to extend credit to clients for purchasing consumer durable goods, such as cars, motorcycles, furniture and computers, and to provide personal loans.

As with other finance market operations in Brazil, the Consumer Finance business unit is subject to fluctuations in the economic environment and is directly influenced by the Brazilian Government's monetary policy. In order to reduce the impact of economic changes, the unit adopted a policy to diversify products and explore new markets, including the health sector.

Car financing. The vehicle intermediary financing activities of Aymoré Financiamentos, which the Bank has operated for more than 40 years, remains the core business of the unit and management believes it is regarded as among the leading consumer finance businesses in Brazil. Car financing activities accounted

for approximately 90.46% of the total value of the Consumer Finance unit's portfolio as of 31 December 2006. Traditionally, car financing provided by the Consumer Finance business unit was for used cars. However, in the last ten years, there has been an increase in financing for new and imported cars, and for the year ended 31 December 2006, financing in respect of new and imported cars accounted for approximately 32% by value of the total car financing carried out by the Consumer Finance business unit.

In its car intermediary financing activities, Aymoré Financiamentos' customer is the car dealer from whom the client purchases the vehicle. As of 31 December 2006, Aymoré Financiamentos had relationships with approximately 12,000 car dealers, of which 8,300 were active.

Indirect Semi-Durable Goods Financing. The second largest portfolio of the Consumer Finance business unit provides financing for the purchase of computer equipment, tourism services, furniture, medical and dental equipment and other items. The indirect financing unit accounted for 8.52% of the total Aymoré Financiamentos' portfolio by value as of 31 December 2006. As of 31 December 2006, Aymoré Financiamentos had relationships with approximately 10,000 retail stores which operated as agents for Aymoré Financiamentos' financing, of which 4,800 were active.

Clubcard. The Clubcard activities have been developed by the Bank over the last ten years. Clubcard is a form of credit card issued by the Bank through the Aymoré brand, which allows the holder to draw upon a line of credit or personal loan. As of 31 December 2006, approximately 800,000 Clubcards had been issued. Clubcard and private label customers accounted for approximately 1.0% of the total Consumer Finance unit's portfolio by value as of 31 December 2006.

Each Clubcard customer has a pre-approved credit limit based upon the customer's credit history. The average and maximum maturity of such loans is approximately 12 months. In the event that the Bank has to cancel a Clubcard, it will do so only after having notified the Clubcard customer.

Portfolio. As of 31 December 2006, Consumer Finance's loan portfolio (comprising car financing through the Bank, indirect financing, semi-durable goods, Clubcard, Sud Cred and RCI) was approximately R$14,000 million. The Aymoré operation (consisting of Clubcard, car and indirect financing) totalled R$12,894 million. The majority of the car finance contracts are fixed-rate contracts denominated in *Reais*.

As a percentage of the total value of the loan portfolio, payments in arrears (which are payments due more than 90 days and still outstanding) represented 3.93% as of 31 December 2006. As of 31 December 2006, provisions for loan losses of Aymoré Financing loan portfolio were R$535 million (representing approximately 4.80% of the total Consumer Finance loan portfolio of the Bank).

The Bank obtains collateral in respect of the majority of its consumer finance contracts, with collateral being obtained in respect of all car consumer financing contracts. Clubcard and consumer financing for tourism are generally unsecured. For computer, furniture and other durable goods financing, collateral is obtained in respect of the asset being financed.

Credit Approval. Given the diversified activities of the Consumer Finance business unit, the lending policies are different for each activity (and product) and vary according to market conditions.

The credit approval process utilises an automated credit approval and scoring system in the vast majority of cases. The credit approval process can be submitted to the Bank by: (i) fax; (ii) internet; or (iii) telephone (for private individual clients only). The credit approval process for intermediary finance for cars is done through our branches and/or regional credit desks. In addition, all proposals above a pre-

determined limit which have to be submitted to, and approved by, the Bank's centralised credit approval process. See "— Consumer and Commercial Clients — Support Business Units — Risk Management".

The dealers through whom Aymoré Financing business unit's products are sold are themselves subject to a credit analysis in order to ascertain whether they have the operational capability to perform such services throughout the period during which the Bank maintains its relationship with them.

Insurance

The Bank offered insurance products through its subsidiaries Real Vida e Previdência S.A., Real Seguros S.A. and Sudameris Vida e Previdência S.A. ("Real Seguros") and Real Capitalização S.A. ("Real Capitalização") until 5 July, 2005. Real Seguros provided life, property and casualty insurance and private pension funds. Real Capitalização provided certificated savings plans ("títulos de capitalização"), a type of savings account which is coupled with periodic drawings for prizes.

At 7 July 2005, ABN AMRO Brasil Dois Participações S.A. completed the sale of 100% of its holdings in Real Seguros and 50% of its holdings in Real Vida e Previdência to Millea Holdings, Inc. for R$960 million. The Bank also entered into an exclusivity agreement with Millea Holdings for the distribution of Tokio Marine's insurance products and private pension fund products of Real Vida e Previdência.

Millea Holdings, Inc. is the tenth largest insurance group in the world, with a net income of U.S.$21 billion as of this date. Its subsidiary Tokio Marine is the seventh largest property and casualty elementary insurance provider and present in over 43 countries, with total premiums of U.S.$18 billion, which accounted for 27% of the Japanese market.

Since 7 July 2005, the Bank began to distribute insurance and private pension fund products through its own brokerage subsidiary, Real Corretora de Seguros. The Bank still owns 100% of Real Capitalização.

Products. Tokio Marine is active principally in the life and property and casualty insurance businesses.

Pension Plans. The Bank began managing individual and corporate pension plans in 1997 through Real Seguros, and are now managing them through Real Tokio Marine Vida e Previdência, the seventh largest pension plan manager in Brazil, as measured by total reserves, according to FENASEG (National Federation of Private Insurance and Capitalisation Companies) and ANAPP (National Association of Private Pension Companies). The future success of the Bank's pension plan operations depends in part on the stability of the Brazilian markets, the rate of inflation, tax incentives and social reform. Brazilian law currently permits the existence of both opened and closed private pension entities. As a result, pension entities now function in a similar manner to the public social security system, granting benefits or income upon periodic contributions from their members, their respective employers, or from both. Brazilian law also permits financial institutions to establish individual retirement funds with the same objective as that of the private pension entities, but with a structure more similar to that of investment funds.

- *Individual Plans*. Real Tokio Marine Vida e Previdência offers and manages a range of individual plans, including plans with lump-sum payouts, annuities and death benefits. The Bank has the following individual plans: (i) a defined contribution plan called PGBL (Plano Gerador de Benefícios Livres), which allows participants to contribute either in instalments or in lump-sum payments and allows contributions of up to 12% of a participant's taxable income to be contributed on a tax-free basis; and (ii) VGBL (Vida Gerador de Benefício Livre), which allows the same contributions as PGBL and are recommended to individuals whose income tax return are 27.5%. Real Tokio Marine Vida e Previdência ranked seventh in terms of reserves in Brazil in 2005, according to FENASEG.

- *Corporate Plans*. In addition to individual plans, Real Tokio Marine Vida e Previdência also offers corporate plans. These plans are generally negotiated and tailored to the specific needs of the corporate customer. Real Tokio Marine Vida e Previdência earns revenues from its pension plans by charging monthly service fees based either on a percentage of the contribution and retaining any proceeds in excess of the relevant inflation index plus a fixed rate of interest, or on an annual fee on the accrued amount of each participant's fund. Real Tokio Marine Vida e Previdência also earns revenue from the death benefits it sells, based upon the difference in actuarial tables and the death rate.

Treasury and Empresas Products and Retail (Consumer and Commercial) Support Business Units

The following Support Business Units gives support to both the Treasury and Empresas Products and the Retail (Consumer and Commercial) areas of the Bank:

Operations

The Operations unit manages projects and the cost of construction, maintenance and conservation of all real estate used by the Bank, including managing its office buildings. It is also responsible for the management, administration and control of costs and processes in activities relating to the Bank's vehicle fleet, real estate (owned or rented), office supply, mail and package handling and delivery services, transportation of valuables and security.

Facilities Management and Transaction Control. The Facilities Management and Transaction Control area of this unit manages contracts and expenses via a centralised system, provides administrative services relating to premises and general services, and manages the Bank's car fleet. This area also handles internal control of accounts, for example, proof of accounts and account reconciliation, and controls fixed assets, tax collection and real estate portfolios.

Financial Planning and Control. The Financial Planning and Control area is responsible for defining procedures and policies according to local legislation and corporate guidelines and provides senior management with necessary information for decision making through the management information system within the Financial Planning and Control area. In providing this service, the area engages external accountants to assist with its activities.

Human Resources

The Human Resources unit employs 222 employees in Brazil distributed in the following functions: Business Partners (for retail, corporate and institutional areas), HR Services and Centres of Expertise (Education, Talent, People and Organisation Capabilities and Diversity).

During 2005 and 2006, the Human Resources unit promoted organisational changes, focusing on the implementation of a new Human Resources operating model, which was aimed at improving quality and efficiency through (i) improving the quality of the Human Resources services delivered globally; (ii) aligning the Human Resources solutions to the needs of the Bank's business; (iii) more effectively supporting the Bank's business through a strategic relationship with the different areas of the Bank; (iv) ensuring the contribution of Human Resources to the Bank's competitiveness and shareholder value; (v) standardising Human Resources processes and ensuring consistency of delivery; and (vi) ensuring data integrity.

For 2007, Human Resources strategy is to proceed with the implementation of the new operating model. It will also focus on promoting further organisational development in the Bank through a closer relationship with the business areas.

The Bank has a good relationship with the union, "Sindicato dos Bancários".

Education and Sustainable Development Unit

One of the Bank's goals is to generate value to its shareholders, its employees and the community in which it operates. In order to assist in the promotion of these goals, the Bank created a Social Responsibility unit in November 2001. In 2003, the corporate training area of the Bank was merged with the Social Responsibility unit, thus creating the Education and Sustainable Development unit.

The Education and Sustainable Development unit focuses on the following activities: creation of an "Ethical Fund", an investment fund which assets comprise quotas of companies considered "socially responsible"; implementation of microcredit operations to those who do not have access to the conventional financing systems ("Real Microcrédito"), incorporation of principles and values of social responsibility in its credit concession policy; creation of a supplier relationship department to address social and environmental issues in the supply chain; development of training programs focused on sustainable development; development of eco-efficiency programs (such as the use of recycled paper and the implementation of trash recycling throughout the organisation); diversity initiatives; introduction of "*Amigo Real*" (Real Friend) program, which redirect tax expenses form employees and clients to social programs designed for children and teenagers; "*Instituto Escola Brasil*" (Brazil School Institute) program, which is supported by volunteers from the Bank to renovate certain facilities including sports facilities, libraries and computer classrooms in approximately 150 schools in Brazil.

During 2004 and 2005, the International Finance Corporation ("IFC"), which is the arm of the World Bank that supports the private sector, has committed to lend U.S.$125 million to the Bank to provide funding, over a ten-year term, to companies willing to improve sustainability in their own environment. In order to obtain such funding these companies must establish certain sustainability targets. According to the IFC, this is the first time a financial institution in the emerging markets has introduced sustainability standards in a transaction.

The Bank has received important awards from financial and social Brazilian institutions, including from the American Chamber of Commerce (Amcham). It has also been awarded by the International Chamber of Commerce in association with the United Nations Development Program (UNDP) and the Prince of Wales International Business Leaders Forum (IBLF) World business Award, Financial Times Sustainable Banking Awards, Standard & Poor's, United Nations Environment Programme ("UNEP") and SustainAbility, a strategy consultancy specialised in sustainable development based in London.

Marketing

Brand Strategy and Marketing Communications

The main strategic objective of the Bank is to provide services which satisfy its clients. To achieve this, the Bank believes it is necessary to understand clients' needs and also focus efforts on the establishment of long-term relationships. Internally, the Bank believes it is important that employees participate in this process and that it is necessary to communicate effectively with the Bank's other business units, its clients, employees and shareholders.

Brand Strategy and Marketing Communications is responsible for achieving client satisfaction, including increasing attractiveness and brand awareness among the bank's stakeholders to attract new clients, achieve client satisfaction and develop client relationships. The Brand Strategy and Marketing Communications business unit comprised 115 employees and four trainees as of 31 December 2006. The Brand Strategy and Marketing Communications business unit reports to the Chief Executive Officer and

it provides services to each of the strategic business units of the Bank and enters into service level agreements for this purpose.

Institutional communication is carried out primarily internally, to all employees, and externally, through television, radio, printed media (such as newspapers and magazines) and digital media, in addition to using other communications tools such as direct marketing, events and merchandising at all points of sale.

For the Empresas SBU, the Bank's strategy is to continue with a client-specific approach such as tailor-made events, advertisements in business publications and direct communication, as well as relationship with the press.

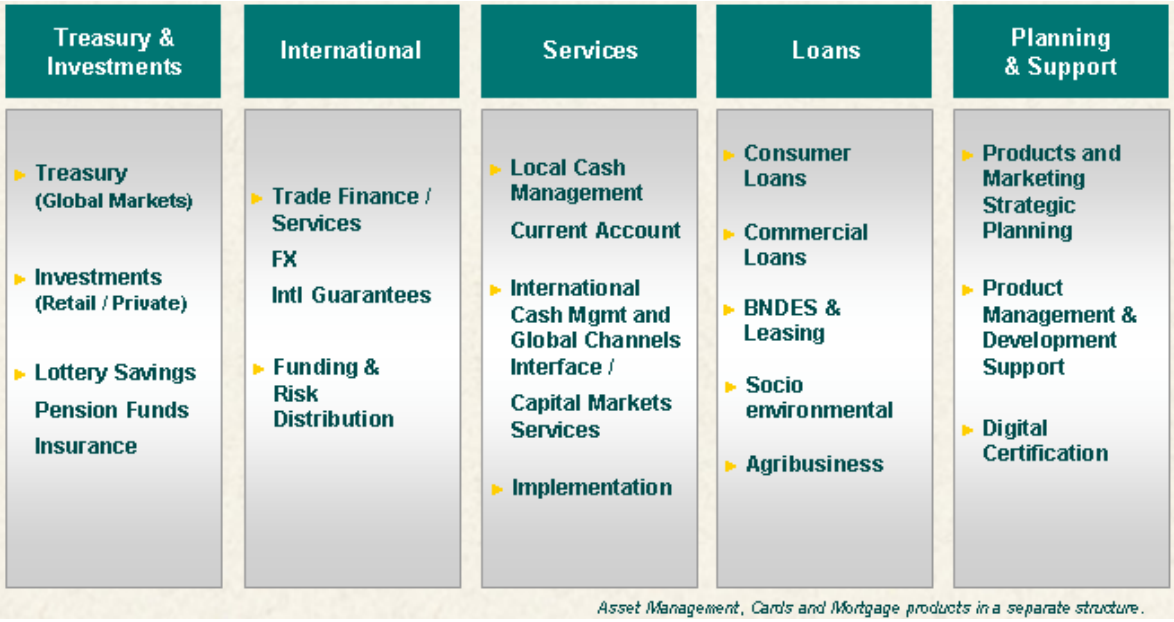
Brand Strategy and Marketing Communication activities are co-ordinated globally and comply with local needs as required.

Integrated Products Platform - Product Management and Development

In order to better manage and develop solutions to all the different segments, ABN AMRO Brazil created the Integrated Products Platform, consolidating the non-structured products (excluding Asset Management, Cards and Mortgage), with the following characteristics:

- Integrated structure to attend to all the bank segments – consumer and commercial clients.
- Client driven model, respecting the segments' differences.
- Final responsibility for the products through the consolidation of management, development and implementation functions.
- Reproduction of products and services solutions from the most sophisticated client to the one that demands standard products.
- More efficiency in the internal processes, market reading and time-to-market.

The table below indicates the structure of the Integrated Products Platform:



Audit

The Internal Audit unit of the Bank based in Brazil is an independent unit and as such is not under any direct Business Unit of the Bank. The Internal Audit unit audits the internal procedures employed within the ABN AMRO companies operating in Brazil and also in Latin America in respect of each of the business areas and the products that they offer. The unit is headed by the Corporate Executive Vice-President Chris Power who reports directly to the Group Audit at ABN AMRO Bank N.V. in the Netherlands, and indirectly to the President and CEO in Brazil. The unit also reports to the Chairman of the Independent Audit Committee in Brazil. The chairman is an independent member of the committee. As of 31 December 2006, the unit, which is located in São Paulo, comprised 168 people (167 employees and one trainee) who are responsible for audit and branch network inspections. See "Management—Audit Committee".

The Bank's audit strategy consists of focusing on business objectives, auditing and inspecting as part of an integrated approach, and evaluating risk and recommending feasible and effective controls. The Bank also covers the regional Latin America HUB for the audit function This unit performs continuous internal controls evaluations and supports management to achieve business goals and periodically reviews working flows, existing controls and procedures and system automated support of business areas and product lines. The department is integral to the organisation of ABN AMRO Bank N.V. in Amsterdam and a formal Audit Committee which holds regular meetings, has been established.

The approach of the Internal Audit unit depends on a formal annual audit plan, which is submitted to the senior management of the Bank and approved by the Chief Executive Officer of the Bank and by the Group Audit in the Netherlands. The annual audit plan is supported by a risk analysis matrix to identify major risks involved in the business process and procedures of the Bank. New products or developments are also within the scope of Internal Audit and are integrated into the annual audit plan and aligned with Group Audit methodology for compliance. Based on the annual audit plan, the Internal Audit unit prioritises the areas to be audited and the scope of the audit according to the relevant risks of the particular product, process or procedure.

Audits are prioritised based on the volumes of transactions in a particular business area or product, monthly monitoring of volumes (and fluctuations therein) in the particular business area and products as

well as on discussions with managers and the Executive Officer responsible for each area or product. Products considered high-risk (for example, derivatives) and Corporate Finance activities are planned to be audited every year, and the status of any high-risk findings are formalised through a quarterly status report sent to the Bank's Executive Committee and Group Audit in the Netherlands. When carrying out such audits, the Internal Audit unit analyses various aspects, including management reports, the evolution of the relevant product, ways to enhance the product, its market share and ways to minimise risk. Once the formal audit has been performed, a written report is prepared detailing the unit's findings, the risks that it has identified, its recommendations and a timetable for the implementation of its findings is circulated to all involved Executive Officers and the Bank's Executive Committee. If any major issues are identified, these issues are discussed with management as they arise. A Cascaded Control Procedure Summary is reported to local and Head Office Management. Implementation actions are then regularly monitored by the unit and, if such actions are not implemented, a target date with the relevant manager is set for the findings to be implemented. The unit also acts as a consultant when new products or services are launched. Reports are also sent to the Bank's independent accountants. The Internal Audit unit will also become a prominent player of the reviews of the Sarbanes Oxley Act and the Basel II initiatives.

The Bank's Audit Groups Mission is: (i) to conduct audits for the ABN AMRO group of companies in accordance with authoritative auditing standards, thus contributing to mitigate unwanted risk; (ii) to be the trusted advisor for ABN AMRO management on audit related matters; (iii) to perform investigations of various natures at the special request of management; and (iv) to be an ideal stepping stone for top potentials within ABN AMRO.

Legal

The legal unit of the Bank is comprised of 159 employees and 24 trainees, as of 31 December 2006. The legal unit is responsible for providing legal services to each of the business units of the Bank and, in connection with this, enters into service level agreements and charges the relevant unit according to a cost-sharing agreement.

Asset Management

ABN AMRO has been actively participating in the asset management business since 1994, providing asset management services to both domestic and international clients through its subsidiary ABN AMRO Asset Management S.A. ("AAAM"), which was incorporated in October 1997. These services are marketed through ABN AMRO Asset Management's team of professionals, the Bank's branch network, private client officers and other alternative distribution channels.

AAAM's activity consists of five main distinct areas: portfolio management and research, compliance and risk control; product development, sales and distribution, operations, and advisory services. These activities allow it to offer investment funds and portfolio management services to retail and private clients, institutional investors, particularly pension funds, and wholesale clients. AAAM also manages the assets of the defined contribution pension plan (PGBL) offered by the Bank. AAAM's main objective is to be among the leaders in the market. To accomplish this objective, AAAM's strategy places emphasis on the retail segment, which allows it to benefit from the 700 branches and over 1,400 service outlets network of the Bank.

In May 2002, AAAM acquired the Brazilian investment funds of Dresdner Asset Management, increasing its assets under management to almost R$17 billion, an increase of almost 10% compared to its 2001 year-end position of R$15.3 billion.

During 2002, AAAM outsourced its back office operational services. Such services include net asset value calculation accounting services (bookkeeping, financial statements, balance sheet and profit and loss accounting) and custody and settlement of equity securities. In line with these changes, an internal business support and middle office area was created in order to provide a daily control and monitoring process of purchases and sales of such funds and portfolio administration.

In 2003, the Brazilian rating agency SR Rating raised AAAM grade from AA+ to AAA, the highest rating. The ratings awarded to AAAM are based on the suitable qualification of the asset management, technical and administrative teams, suitability of the risk analysis systems, operation of appropriate systems of information and control and the degree of confidence on operations, routines, regulations and procedures. The same rating was confirmed in 2004.

The acquisition of Sudameris allowed AAAM not only to increase its distribution network (Sudameris had 290 outlets with 500,000 clients), but also to increase its funds under management from R$15.5 billion to R$24 billion.

With a total amount of approximately R$39 billion in assets under management, as of 31 December 2006, AAAM ranked among the 10 largest asset management companies in Brazil, according to the National Association of Investment Bankers (*Associação Nacional dos Bancos de Investimento* – ANBID).

In compliance with the Brazilian law, Luciane Ribeiro is the statutory director of the Bank responsible for the administration of the investment funds. She is also in charge of AAAM.

Liquidity and Funding

The Bank's asset and liability management ("ALM") manages its balance sheet position, enabling the Bank to offer competitive priced products to its customers while maintaining an appropriate risk level and rewards profile forecasting the Net Interest Income ("NII") for several tenors under different scenarios, in order to have a better understanding of the NII risk. The ALM is also responsible for ensuring that the liquidity policy is correctly implemented.

The Bank's ALM policy seeks to ensure that sufficient liquidity is available to honour withdrawals of deposits, and make repayments at maturity of other liabilities, to extend loans or other forms of credit to its customers and to meet its own working capital needs. The liquidity is managed in two levels: (i) at the daily activities level, which objective is to measure and manage the available cash, and where the minimum liquidity amount is determined by the value of the liquidity loss occurred during a 30-day period of moderate crises situation; and (ii) at the structural balance sheet liquidity profile level, which, through the application of liquidity ratios, measures the capacity of the Bank's liquidity to face potential cash outflows. The preparation of the Bank's budget also takes it in consideration, ensuring that the business plan is aligned with the liquidity requirements.

The Bank's ALM is also responsible for managing its funding and liquidity positions, as well as for the execution of its investment objectives. The ALM unit covers any shortfall through taking in additional deposits and by borrowing from the interbank market. It seeks to maximise the efficient use of the Bank's deposit based by investing any surplus in liquid investments in the interbank market.

Information Technology

The Information Technology unit is responsible for the information technology ("IT") requirements of each of the three strategic business units of the Bank, including organisational and automation processes, acquisition and maintenance of systems. The IT area is primarily responsible for building reliable

systems and technical infrastructure to support the Bank's network and to assist the Bank in improving its productivity, competitiveness and efficiency. It is also responsible for all IT infrastructure connected with the branches, including those of Sudameris, BANDEPE and its head office in São Paulo.

The IT area is organised into three separate units: (i) Systems Development; (ii) Support; and (iii) Services, and is comprised of 637 people as of 31 December 2006. The IT Systems Development unit is organised in a way so as to mirror the organisation of the Bank's business areas. The Support unit is organised into Infrastructure Systems, Planning & Security and Contingency and Systems Architecture. The Services unit provides infrastructure and services to the branches and to the head office in São Paulo, being responsible for the daily running of the IT business routines of the Bank.

At 31 December 2006, the annual budget for IT for 2007 was EUR296 million.

The Bank's IT infrastructure processes monthly a total of 120 million business transactions, 21 million ATM transactions and 6 million IT call centre calls (two IT call centres with 860 operators, servicing 24 hours a day, seven days a week). All branches and customer service points are connected on-line, operating in real-time and an alternative site is fully capable of assuming all operations in an event of a contingency situation.

The operations of the Bank, Sudameris and BANDEPE are fully integrated and processed within a single system. This has enabled the Bank to optimise resources and to achieve synergies in the IT activities of the two banks so that the operations of both banks in Brazil are standardised.

The Internet Banking ("REAL Internet Banking"), which was launched in January 2000, currently has approximately 604,394 clients and processes about 17 million transactions per month. The WAP Internet banking service, which was launched in July 2000, provides mobile telephone banking services to clients. REAL Internet Empresa for companies has approximately 87,572 operating accounts, representing 17% of that category of clients. Following the recent implementation of additional features, REAL Internet Empresa was granted the award for the best Internet banking for companies in Latin America and the second best Internet banking for companies in the Western hemisphere, according to the independent consulting firm Speer & Associates Inc., and the E-Finance Prize for the best Internet banking for companies according to Financial Executive Magazine.

Litigation

In common with many other Brazilian banks, Banco ABN AMRO Real Group has been involved in a significant number of lawsuits including, but not limited to, tax issues, labour claims, former government economic plans, consumer laws, claims for moral and material indemnification and claims for interest rates reduction.

The number of claims filed against banks in Brazil by consumers has been growing up every year led by some judicial decisions which determined the reduction on interest rate in loan contracts. The pleading for moral and material damages indemnification, as a result of faults committed in banking services and products, has been encouraged by former decisions which granted large indemnifications for consumers. The Brazilian Superior Courts have, however, reversed such decisions, deciding favourably to the financial institutions in claims related to interest rates and also limiting the amount granted as moral indemnification.

The majority of the proceedings against the Bank has been judged unfounded or has been dismissed. The provision level of Banco ABN AMRO Real Group has been considered appropriate by independent auditors.

Tax issues

The Bank has contested the position of the federal and state Government regarding the charge of or the compensation of certain taxes, which it considers to be illegal or unconstitutional, either because of changes made to the tax rates or the basis of calculation of such taxes. Other Brazilian companies have also filed claims relating to these matters. The principal taxes and amounts due thereunder which have been contested by the Banco ABN AMRO Real Group at 31 December 2006, are:

(i) In 1996, the Bank and ABN AMRO Leasing filed a law suit to pay the Social Contribution tax at the rate of 8% (the rate for non-financial companies) instead of 30% (the rate for financial institutions and companies supervised by the Central Bank), as established in the Constitutional Amendment No. 10/96. As a result of the merger with Banco Real, the Bank, as its successor, took over the lawsuits previously filed by Banco Real. The difference between the rates, originally 8% and 30% and subsequently 8% and 18%, has been provisioned by the Bank and ABN AMRO Leasing (R$170 million as of 31 December 2006). Sudameris companies have also filed claims relating to these matters and have made a provision in respect of the amounts to be paid (R$192 million as of 31 December 2006).

(ii) In 1997, the Bank and ABN AMRO Leasing filed an injunction in connection with Law No. 9,316 of 1996 in order to have the deductibility of expenses in respect of the Social Contribution for Corporate Tax purposes (income taxes basis) acknowledged. In a preliminary and provisional decision by a lower court, both the Bank and ABN AMRO Leasing were authorised to deduct Social Contribution expenses for Corporate Tax purposes. The Bank and ABN AMRO Leasing have made monthly provisions in respect of the amounts to be paid under Law No. 9,316. As of 31 December 2006, such provisions totalled R$43 million.

(iii) The Bank filed a lawsuit in order to exclude the amount of the expense of TJLP from the basis of its Social Contribution in 1996. The Bank has made a provision of R$23 million as of 31 December 2006 in connection with such lawsuit.

(iv) ABN AMRO Leasing filed an injunction and obtained a provisional and preliminary authorisation to deduct from the income tax basis the fiscal loss of previous years since the future leasing earnings are a direct consequence of those previous losses. After the full compensation of the previous losses the entity would be within the 30% limit of fiscal loss compensation according to the current legislation introduced in 2000. ABN AMRO Leasing has made a provision of R$329 million as of 31 December 2006 in connection with such lawsuit.

(v) ABN AMRO Leasing and Sudameris Leasing filed an injunction and obtained a provisional and preliminary decision not to pay Provisional Tax on Financial Transfers (CPMF) on debts in their banking accounts deriving from payments relating to their operational activities. Based on advice from external counsel, the plaintiffs believe that the lawsuit decision will favourable to them.

(vi) In October 2004, Sudameris Group was authorised by a court to deduct its tax debts which were subject to legal proceedings (Social Contribution and PIS) from the base of calculation of income tax on a cash basis in compliance with Law No. 8,541/92. According to Law No. 8,981/95, however, tax debts became deductible on the accrual

basis of accounting only. As a result, Sudameris Group made a provision of R$78 million.

(vii) ABN AMRO Bank filed a lawsuit to cancel the Social Contribution charges from 1992 to 1994 made by the Federal Revenue Service, which amounted to R$155 million in May 2001. The Bank did not pay the Social Contribution tax during this period since it had obtained a final decision in a separate lawsuit authorising this proceeding. The Federal Revenue is contesting the validity of that decision. The Bank has already paid part of the amount charged in 2002 and expects to receive a favourable decision for the balance which is still under discussion.

(viii) The Bank filed a lawsuit questioning the payment of Social Contribution charges on the annual bonus ("abono único") paid to its employees in 2001, 2002, 2003 and 2005, arguing that the bonus was not part of the employees salary and therefore, not subject to the social contribution charges on salaries. In November 2005, the Bank was required to make a judicial deposit in the amount of R$39 million. The Bank has also made a provision which at 31 December 2006 corresponded to R$50 million.

(ix) In August 2001, the Bank filed a lawsuit for the suspension of payment of Social Contribution on the expense amount of the taxable base which has been suspended by court decision. The court ruled against the Bank in November 2001 and the appeal filed by the Bank has not been decided. Although the Bank received a notice of an administrative decision requiring the payment of such difference in the amount of R$26 million and the probability of loss is "possible", the Bank has decided not to made a provision.

Labour Issues

The Bank, like many other banks, is currently defending lawsuits brought by labour unions or individual employees seeking compensation for lost wages and other labour rights. As of 31 December 2006, there were approximately 10,770 labour-related claims pending against the Bank. Based on previous experience, the Bank believes that only part of these actions will be decided in its favour and, accordingly, has made a provision with regard to these claims amounting to R$468 million as of 31 December 2006. The main issues discussed under labour lawsuits are related to payment of overtime.

Civil Issues

Furthermore, as of 31 December 2006, the Bank is defending 61,238 lawsuits, the great majority of which related to issues involving real estate loans, losses due to economic plans elaborated by former governments (*Plano Bresser*, *Plano Verão*, *Plano Collor*), loan contracts review aiming at the reduction of interest rate, as well as lawsuits claiming for indemnification due to moral and material damages resulting from summary collection proceedings and inclusion of plaintiffs' names in registries of debtors and presumed personal injuries resulting therefrom.

As result of the Brazilian Higher Courts decisions, which have been favourable to the financial institutions, mainly in respect of interest rate and loan contracts clauses, the Bank anticipates success in most of these lawsuits. Also, former lawsuits historical results shows that the Bank was successful on most of the claims.

Brazilian Courts used to determine moral damages indemnification in amounts considered high. However, in the past years, such indemnification has been usually fixed to an average level of 50 to 100

times the minimum wage, depending on the particularities of each case. An adverse decision may also encourage other similar suits by other customers.

There is a provision of R$161 million to cover liabilities in case of adverse decisions to the Bank. Banco ABN AMRO Real Group has made a provision in the amount of approximately R$406 million on a combined basis. The provision level is fixed in compliance with a provision policy established by the Bank in June 2006.

Class Actions

There are approximately 200 class actions proposed against Banco ABN AMRO Real Group, most of them related to loan contracts, residential mortgage, credit card contracts and savings accounts. These lawsuits were filed by customers' defense associations and public prosecution services. The Bank expects that the results will be favourable to it in most of these claims. At the moment, there are no unfavourable and definitive results to the Bank.

An adverse effect in class actions may result in the Bank's obligation to modify clauses contained in contracts, to reimburse amounts that were charged by the Bank (tariff, interest rates and others) or the payment of difference of rates discussed in claims related to savings accounts.

However, in certain cases, the economic effects cannot be measured for reasons such as lack of territorial delimitation on the judicial decision, unknown beneficiary of the decision and need of independent execution proceeding that must be started by customers. When it is possible to estimate an adverse effect of the decision, a provision is made in compliance with the Bank's provisioning policy.

Leasing Contract-related Actions

There are currently approximately 2,847 leasing contract-related actions which have been brought against ABN AMRO Leasing.

At 31 December 2006 the majority of the lawsuits brought against ABN AMRO Leasing involved: (i) the questioning of the legality of certain contractual clauses in certain lease agreements, where plaintiffs requested the reduction of the remaining balance in such lease agreement, or the reimbursement of amounts already paid; and (ii) the argument that the lease agreements included operational mistakes and/or frauds (i.e. failure in the payment processing, causing the lessee to have its information sent to consumer credit protection agencies at ABN AMRO Leasing's request).

Other lawsuits brought against ABN AMRO Leasing relate to (i) the index used for the purpose of calculating payments due under U.S. Dollar-linked leases following the devaluation of the *Real*, where the lessees have obtained a provisional decision of several courts authorising the use of the price index INPC for the purpose of calculating payments due under such lease contracts until a final decision is rendered; and (ii) the anticipation of the payment of the residual guaranteed amount (the *valor residual garantido* or "VRG"), which consists of the minimum price guarantee of ABN AMRO Leasing in relation to the outstanding amount at the time the leasing is terminated, which payment, at ABN AMRO Leasing's option, may be anticipated. The Brazilian Superior Court of Justice (STJ) has decided on 13 May, 2004, that the lessor may charge the VRG from the lessee under a lease agreement. Although favourable to the leasing companies, the lessees are now questioning their right to receive back the VRG when the lessees do not opt to acquire the leased asset at the maturity of the lease agreement and the lessor reclaims the leased asset. The decisions from the lower courts have been favourable both to the lessor and to the lessee. ABN AMRO Leasing has not yet been able to determine what would be the adverse financial effect caused by these types of lawsuits should the higher courts determine that the VRG should be paid

back to the lessor in the event the lessee he decides not to acquire the leased asset at the maturity of the lease agreement, as it is not possible to estimate how many lease agreements will be affected by such decision. Besides individual lawsuits, there are two civil actions in the State of Minas Gerais filed by consumer protection agencies discussing the issue, where no decision has yet been rendered, and it has not been possible to determine what would be the territorial application of such decisions.

Material Contracts

Neither the Issuers nor any of its material subsidiaries have entered into any contracts outside the ordinary course of business that have had or may reasonably be expected to have a material effect on their business.

Subsidiaries and Affiliates

The following table sets out the Bank's shareholding in its subsidiaries and affiliates and their respective net worth as of 31 December 2006.

Companies	Total Shareholding (%)	Principal Activity	Net Worth *(in millions of Reais)*
Banco de Pernambuco S.A. - Bandepe	100.00	Financial institution	3,171.1
ABN AMRO Arrendamento Mercantil S.A.	51.00	Leasing	526.6
Banco Sudameris Brasil S.A.	100.00	Financial institution	1,803.4
Sudameris Arrendamento Mercantil S.A.	60.95	Leasing	1,601.1
Aymoré Crédito, Financiamento e Investimento S.A.	99.99	Banking	16.0
Credicenter Empreendimentos e Promoções Ltda.	12.23	Service company and agent	222.3
Interchange Serviços S.A.	25.00	Services	57.7
Cia. Brasileira de Meios de Pagamentos – VISANET	14.28	Means of payment	419.2
Marlim Participações S.A.	14.56	Holding	85.6
ABN AMRO Administradora de Cartões de Crédito Ltda.	3.22	Credit card services	630.4
Webmotors S.A.	100.00	Credit	12.9
Cia. Brasileira de Soluções e Serviços	15.32	Services	40.9
Real Corretora de Seguros S.A.	76.19	Insurance	67.1
ABN AMRO Real Administradora de Consórcio Ltda.	99.99	Consortium	8.2
Real Microcrédito Assessoria Financeira S.A.	99.55	Services	-
ABN AMRO Brasil Participações e Investimentos S.A.	99.90	Holding	-
Celta Holdings S.A.	12.74	Holding	268.3
Diamond Finance Promotora de Vendas S.A.	25.50	Sales promotion	-
Real Paraguaya de Seguros S.A.	99.99	Insurance	7.9
Real Argentina S.A.	99.99	Holding	1.5

Basel Accord

ABN AMRO's strategy is to qualify for the Basel II Capital Accord, which is expected to be in force in 2007, in terms of credit, market and operational risks, thus benefiting from lower capital requirements, having a competitive advantage among the financial institutions and having a better perception form the markets and the rating agencies. It has created committees at global and regional levels, who meet periodically, for the establishment and implementation of the required policies.

In Brazil, the project is divided in three main participant areas: Credit Risk, Operational Risk and Finance Control. Paraguay and Uruguay are also included in the Brazilian project.

Compliance

The Compliance area within the Bank is independently supervised. Its role is to:

- act in parallel with the business units and with full access to the business information and strategy;
- include the rules and regulations of the banking activities, as well as those related to the business conduct;
- identify the relevant risks and regulations for the banking activity;
- develop the compliance policies to minimise reputation and regulatory risk;
- counsel, train and provide reports to management with respect to regulation and adherence to them;
- manage regulatory investigations and incidents;
- develop and carry the relationship with the main regulatory bodies; and
- have free access to information and personnel and have the right to investigate possible breaches to the compliance policy and appoint external consultants to carry this role, if necessary.

ABN AMRO Group compliance has full access to the Board of Directors and reports directly to the Chief Executive Officer. It reports its findings to the Managing Board and the Audit Committee. Any issues related to the members of the Managing Board are reported to the Supervisory Committee.

The Compliance Policy Committee ("CPC") is responsible for the global compliance co-ordination. It is headed by the Chief Financial Officer. Its representative in Brazil is the Bank's President. The CPC provides annual reports to the Supervisory Committee.

ABN AMRO ARRENDAMENTO MERCANTIL S.A.

History and Ownership

ABN AMRO Leasing is a leasing company incorporated to engage in finance lease transactions as defined in the Brazilian regulations in force at the date hereof (as set out in Section Three of its By-laws) in Brazil with unlimited duration and registered with the Chamber of Commerce in the State of São Paulo under No. 34.033.779/0001-63. ABN AMRO Leasing commenced operations in September 1994 and relocated its registered office from Rio de Janeiro to Barueri in the State of São Paulo in December 1996. The Bank owns 51% of the shares in ABN AMRO Leasing.

In December 1998, as part of the acquisition of Banco Real, new leasing operations for retail and small business companies clients were transferred to ABN AMRO Leasing (Companhia Real de Arrendamento Mercantil, Banco Real's leasing company, did not form part of the acquisition).

ABN AMRO Leasing is a large private Brazilian leasing company, with outstanding leases as of 31 December 2006 of R$1,149 million (as compared to R$743 million as of 31 December 2005).

As of 31 December 2006, ABN AMRO Leasing had subscribed and paid up capital comprising 19,273,991 ordinary nominative shares with no nominal value and carrying voting rights. As of 31 December 2006, ABN AMRO Leasing capital totalled R$350 million (compared to R$236 million at 31 December 2005).

Overview

According to ABEL – Associação Brasileira das Empresas de Leasing (the Brazilian leasing companies association), the total amount of funds applied by leasing companies in Brazil to leasing operations in the first six months of 2006 was approximately U.S.$12.5 (operational and financial leases). Lease contracts in Brazil generally relate to motor vehicles, computers, machinery equipment, industrial machinery and real state.

Until 1990, the performance of the leasing market in Brazil was severely affected by successive economic plans that disabled the country's long-term growth. From 1991 until early 1995, as a result of the first steps toward the liberalisation of the Brazilian economy, the leasing sector showed major improvements. In the first half of 1995, in order to support the economic stabilisation plan that culminated in the *Real* Plan in July 1994, the Brazilian Government imposed tight credit restrictions on the extension of credit, including restrictions on leasing transactions. Such restrictions have gradually been reduced, a new type of short-term "operational" lease has been introduced and currently the leasing market in Brazil is more flexible. See "— Regulation of ABN AMRO Leasing".

In March 1998, BNDES enabled leasing companies to obtain long-term loans (with terms ranging between four and five years) with lower interest rates than those prevailing in the market. In order to obtain such loans, leasing companies must follow the procedures applicable to financing under FINAME and the leased assets and their respective manufacturers must attempt to increase production of certain assets.

On 30 July 1998, through Resolution No. 2,523, the CMN authorised lease companies and multiple banks with lease portfolios to execute lease operations of goods produced in Brazil with lessees domiciled, or with main offices located, outside of Brazil.

In December 2006, the segment for individuals represented 37.7% of the Bank's leasing portfolio in total volume, leading the ranking of participation by sector, followed by the service sector, which represented 28.5% of the portfolio.

With respect to leasing per type of product, in December 2006 vehicles were responsible for 68.3% of the volume of contracts, followed by machinery and equipment with 28.7%.

The leasing sector is directly linked to the level of consumption of goods in Brazil and the purchasing power of the individuals and, in the case of ABN AMRO Leasing, which operates in the market for leasing of new and used light vehicles, to the performance of the local automotive industry as well. According to statistics provided by DENATRAN (the National Traffic Department), the Brazilian fleet in December 2006 consisted of approximately 45.4 million vehicles, of which 27 million were light vehicles, 9.4 million motorcycles and 8.1 million heavy and utility vehicles. In addition, according to the same source, as of February 2006, approximately 96.3% of the fleet of leased vehicles were automobiles, the main focus of the business activities of ABN AMRO Leasing.

Business

According to ABEL, the Brazilian leasing market increased R$4,999 million during the first six months of 2006.

As from the second half of 2003, the leasing market resumed its growth, especially in the corporate segment, which has been the focus of leasing companies since 1999, although the retail segment has also indicated signs of recovery. Retail banks have increased their participation in the leasing market, expanding their share in a market which historically was dominated by leasing companies of large automakers. As a consequence, the leased property portfolio of ABN AMRO Leasing increased R$406 million, from R$743 million at 31 December 2005 to R$1,149 million at 31 December 2006.

ABN AMRO Leasing was formed to respond to demand from the Bank's clients for leasing products and today it engages only in financial (as opposed to operational) leases. As a result of prevailing fiscal conditions in Brazil, the fiscal benefits of leasing and the tendency for most loans to be short-term, financial leases represent a source of medium- and long-term financing for the Bank's customers. See "— Lease Portfolio". ABN AMRO Leasing's lease contracts are concentrated principally among the private sector (non-government controlled) industrial, commercial and service sectors in Brazil and it has no direct exposure to Brazilian Government-owned or controlled companies or government agencies or departments. ABN AMRO Leasing is the legal vehicle through which the Bank provides lease financing to its Empresas Clients, Retail Clients and its Private Banking Clients. The relevant consumer leasing and corporate leasing activities of ABN AMRO Leasing are conducted exclusively through, and are controlled by, the Consumer Finance business unit of the Retail SBU. See "Business of Banco ABN AMRO S.A. — Retail Clients — Consumer Finance".

For the year ended 31 December 2006, ABN AMRO Leasing had a net profit of R$45 million and a lease portfolio with a current value of R$1,149 million, comprising 29.7 thousand contracts. For the year ended 31 December 2005, ABN AMRO Leasing had a net profit of R$66 million.

Support Letter

Pursuant to Brazilian regulation, leasing companies are prohibited from obtaining credit financing or guarantees from their controlling financial institutions. However, in connection with the issue of any Notes by ABN AMRO Leasing under the Programme, the Bank has stated in the Support Letter, among other things, that (save in respect of a transfer or transfers within the ABN AMRO Group) it does not

intend to sell, transfer or otherwise dispose of its shareholding in ABN AMRO Leasing or allow any modification to its 99.99% participation therein. In addition, the Bank has stated that its policy is to ensure that ABN AMRO Leasing will have available to it at all times sufficient liquidity to meet its obligations, subject to prevailing laws and regulations of Brazil.

The Support Letter does not constitute a guarantee of the obligations of ABN AMRO Leasing under the Notes issued by ABN AMRO Leasing nor does it confer any rights on the holders of Notes issued by ABN AMRO Leasing against the Bank. The obligations of the Bank under the Support Letter are independent or any payment obligations under the Notes or the Programme.

Lease Portfolio

Industry Concentration

The following table, which has been derived from the unaudited management accounts of ABN AMRO Leasing, sets out details of ABN AMRO Leasing's portfolio by principal type of goods leased as of 31 December 2006 and 2005, expressed in thousands of Reais and as a percentage of its total lease portfolio:

	As of 31 December			
	2006		2005	
	Amount *(in thousands of Reais)*	% **of Lease Portfolio**	**Amount** *(in thousands of Reais)*	% **of Lease Portfolio**
Vehicles	865	66.2	508	58.8
Machinery, furniture and equipment (including computers)	435	33.3	351	40.7
Real Estate	7	0.5	4	0.5
Total	**1,307**	**100.0**	**863**	**100.0**

The prime business opportunities are in the retail automobile market (for new and used cars, buses and trucks) where the Bank already has an established presence through its Consumer Finance unit. See "Business of Banco ABN AMRO S.A. — Consumer and Commercial Clients — Consumer Finance".

Lease financing to the retail market amounted to R$331 million (representing 29% of the present value of the total lease portfolio of R$1,149 million) as of 31 December 2006.

Management's objective is to offer lease financing in the retail market, to small business companies and to large corporate clients. As of 31 December 2006, leasing operations with Empresas Clients amounted to R$818 million (representing 71% of the present value of the total lease portfolio of R$1,149 million) as at such date.

Maturity

Under Brazilian law, a financial leasing contract must have a minimum term of two years, in the case of assets, which are depreciated over five years or less, and a minimum term of three years, in the case of assets depreciated over more than five years. There is no legally imposed maximum term for financial leasing contracts. The contracts in ABN AMRO Leasing's leasing portfolio had an average term for 25.5 months for the year ended 31 December 2006.

Lease Currency

Leasing contracts entered into by ABN AMRO Leasing are denominated in *Reais*. Following the implementation of the *Real* Plan, lease contracts may not be indexed to an inflation index, for example the

IPC, but may, instead, be indexed to the U.S. Dollar or the TR or may be priced at a fixed rate. Until 1998, a significant number of leasing operations were linked to the U.S. Dollar. Following the devaluation of the *Real* in January 1999, the demand for U.S. Dollar linked leases decreased substantially and demand for fixed rate leases increased. Under Central Bank regulations, all U.S. Dollar-linked leases must be funded from U.S. Dollar-linked sources, and so the amount of U.S. Dollar-linked leasing business is limited by the availability of such funding.

Lease Management

In lease financing transactions, ABN AMRO Leasing provides for title to the leased asset to remain with ABN AMRO Leasing until payment of the final instalment (including the agreed residual value) has been made. Accordingly, during the life of the leasing contract, the leased asset remains on ABN AMRO Leasing's balance sheet. The lessee is able to deduct all lease payments from income for tax purposes and also to avoid suffering any taxable gains on asset arising from monetary adjustments for inflation.

At the expiration of the term of the lease, the leased asset is either sold to the lessee, leased again under a new contract, sold to a third party nominated by the lessee or returned to ABN AMRO Leasing. If ABN AMRO Leasing accepts the return of a leased asset, Brazilian law requires that ABN AMRO Leasing make a payment to the lessee, if the market value of the asset is higher than the residual value of the difference and, similarly, that the lessee must make a corresponding payment to ABN AMRO Leasing if the market value of the asset is lower than the residual value. The leasing agreements are normally structured to eliminate any residual amount left at the end of the leasing contract.

Regulation of ABN AMRO Leasing

The basic legal framework governing leasing transactions is established by Law No. 6,099 dated 12 September 1974, as amended by Law No. 7,132 dated 26 October 1983 (as so amended, "Law No. 6,099"), and the regulations issued thereunder by the CMN from time to time.

Law No. 6,099 sets forth the general guidelines for the incorporation of, and the activities permitted to be performed by, leasing companies. The CMN, in its capacity as regulator and supervisor of the financial system, provides the details of the provision set forth in Law No. 6,099, and supervises and controls the transactions conducted by leasing companies. Furthermore, to the extent applicable, the regulations issued by the Central Bank with respect to financial institutions in general, such as reporting requirements, capital adequacy and leverage, asset composition limits and treatment of doubtful loans, are also applicable to leasing companies. See "The Brazilian Financial System". Brazilian financial institutions are permitted to, and since January 1999, the Bank and ABN AMRO Leasing have calculated their compliance with capital adequacy and liquidity ratios pursuant to CMN Resolution Nos. 2,099 and 2,283 (as amended by Resolution No. 2,699) on a consolidated basis.

Brazilian regulations prohibit (i) leasing transaction between related parties and (ii) leasing companies from obtaining credit financing or guarantees from their controlling financial institutions. In addition, in August 1996 the CMN authorised a new type of short-term "operational" lease where: (a) the rent paid by the lessee includes the cost of leasing and cost of delivery and installation of the leased asset, *provided* that the rent does not exceed 90% of the purchase price of the leased asset; (b) the term of the leasing agreement is less than 75% of the economic life of the leased asset; (c) the minimum term of the relevant leasing agreement is not less than 90 days; (d) if the option to purchase is exercised by the lessee, the purchase price is the market value of the leased asset at the time; and (e) no guaranteed residual value is prescribed. Furthermore, either the lessor or the lessee may pay the cost of maintenance and technical assistance.

CAPITALISATION OF ABN AMRO MERCANTIL S.A.

The following table, which has been derived from the audited management accounts of ABN AMRO Leasing, sets forth the capitalisation of ABN AMRO Leasing as of 31 December 2006. There has been no material change to ABN AMRO Leasing's capitalisation since 31 December 2006.

	As of 31 December 2006
	(R$ in millions)
Current liabilities:	
Fiscal and social security	18
Sundry	128
Total current liabilities	**146**
Long-term liabilities:	
Debentures	7,919
Fiscal and social security	449
Sundry	252
Total long-term liabilities	**8,620**
Stockholders' equity	
Local residents' capital	350
Capital Reserve	2
Income reserve	175
Total stockholders' equity	**527**
Total capitalisation	**9,293**

SUMMARY FINANCIAL INFORMATION OF ABN AMRO ARRENDAMENTO MERCANTIL S.A.

The following summary financial information as of and for the six months ended 30 June 2006 and 2005 and the years ended 31 December 2006, 2005, 2004 and 2003 is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the audited unconsolidated financial statements of ABN AMRO Leasing, in each case with the notes thereto and reports of the independent auditors thereon, included in this Base Prospectus.

	As of 30 June		As of 31 December			
Balance Sheet Data	**2006**	**2005**	**2006**	**2005**	**2004**	**2003**
			(R$ in millions)			
Assets						
Cash and banks	2	—	2	2	1	2
Interbank deposits	3,122	190	7,682	1,724	—	—
Securities	8	95	2	11	285	340
Lease operations	(6)	(1)	(11)	(5)	(3)	(1)
Lease receivables – private sector	1,214	464	1,307	797	423	396
Lease receivable – public sector	—	—	—	—	1	—
Unearned lease income	(1,200)	(454)	(1,286)	(790)	(401)	(254)
Provision for doubtful lease receivables	(20)	(11)	(32)	(12)	(25)	(143)
Other receivables	123	95	126	95	101	109
Other assets	28	6	9	7	7	10
Leased assets	1,360	624	1,483	959	543	350
Total assets	**4,637**	**1,010**	**9,293**	**2,793**	**935**	**810**
Liabilities and Shareholders' Equity						
Debentures	3,368	—	7,919	1,664	—	—
Other liabilities	763	594	847	649	520	445
Shareholders' equity	506	416	527	480	415	365
Total liabilities and shareholders' equity	**4,637**	**1,010**	**9,293**	**2,793**	**935**	**810**

	As of 30 June		As of 31 December			
Income Statement Data	**2006**	**2005**	**2006**	**2005**	**2004**	**2003**
			(R$ in millions)			
Net income on financial operations	95	73	197	163	117	52
Allowance for doubtful accounts	(9)	1	(22)	(1)	28	80
Administrative expenses	(29)	(26)	(55)	(61)	(45)	(42)
Other operating income (expenses)	(18)	(1)	(38)	(10)	(28)	(17)
Net non-operating results	2	5	(1)	9	18	38
Net income before income tax	40	52	81	100	90	111
Income tax and social contribution tax	(14)	(51)	(36)	(35)	(39)	(50)
Net income	**26**	**1**	**45**	**66**	**51**	**61**

BUSINESS OF BANCO ABN AMRO REAL S.A.
GRAND CAYMAN BRANCH

Overview

ABN AMRO Cayman was established as a branch office of Banco Real in 1973 as part of Banco Real's overall international strategic plan and became a branch of the Bank following the acquisition of Banco Real and the subsequent Merger. See "History and Ownership— Acquisition of Banco Real S.A." ABN AMRO Cayman was initially registered as a foreign company under Part IX of the Companies Law of the Cayman Islands on 21 May 1974 and a new certificate of registration under its current name was issued on 29 August 2000. ABN AMRO Cayman operates under a Category "B" Banking License issued on 6 June 1974. A new license was issued in its current name with effect from 29 August 2000 under what is now the Banks and Trust Companies Law (2003 Revision) of the Cayman Islands. This allows ABN AMRO Cayman to conduct all types of banking business in any part of the world, but does not allow ABN AMRO Cayman to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, amongst others, exempted or ordinary non-resident companies.

Today, ABN AMRO Cayman's activities consist principally of sourcing funds in the international banking and capital markets to provide credit lines for the Bank which are then extended to their customers for working capital and trade-related financings. ABN AMRO Cayman also extends credit to Brazilian and non-Brazilian clients, principally in relation to trade finance with Brazil. Trade finance products include import finance, pre-payment export and discount of draft export. ABN AMRO Cayman also engages in money market transactions which include forwards and other derivatives contracts and fixed income activities relating to sales of fixed rate bonds.

From time to time ABN AMRO Cayman operates in the Brazilian capital markets, making investments either for its own account, or for distribution to clients of the Banco ABN AMRO Real Group, in instruments such as Brady Bonds, commercial paper and certificates of deposit.

The Bank intends to maintain all current lines of business which ABN AMRO Cayman has and expects to increase its activities in bond and derivative transactions.

Regulation

The liabilities of ABN AMRO Cayman are first covered by the total resources in U.S. Dollars of ABN AMRO Cayman, however, under Brazilian law, ABN AMRO Cayman is part of the same legal entity as the Bank and the Bank is responsible for all obligations of ABN AMRO Cayman.

The Cayman Islands Monetary Authority grants licenses for banks and trust companies under the Banks and Trust Companies Law (2003 Revision). Under the Banks and Trust Companies Law (2003 Revision), there are two basic categories of bank licenses:

- an "A" license, which permits unrestricted domestic and off-shore banking business; and
- a "B" license, which permits only offshore banking business. A "B" License may be restricted to dealings with certain clients.

ABN AMRO Cayman has been granted an unrestricted "B" License.

There are no specified ratio or liquidity requirements under the Banks and Trust Companies Law (2003 Revision), although there is a minimum net worth requirement of CI$400,000 (US$488,000) or such greater sum as is determined by the Cayman Islands Monetary Authority. However, the Cayman Islands Monetary Authority will expect observance of prudent banking practices and follows the guidelines and recommendations of the Basle Committee for Bank Regulation and Supervisory Practices in assessing this.

In addition, in February 1999, the Central Bank executed a Memorandum of Understanding with the government of the Cayman Islands. Pursuant to this Memorandum, the Central Bank will receive information about the assets of and will be able to conduct on site supervision of branches and subsidiaries of Brazilian banks in the Cayman Islands.

CAPITALISATION OF BANCO ABN AMRO REAL S.A.
GRAND CAYMAN BRANCH

ABN AMRO Cayman

The following table sets out the capitalisation of ABN AMRO Cayman as of 31 December 2006 as derived from the unaudited management accounts of ABN AMRO Cayman as of and for the period ended 31 December 2006. There has been no material change to ABN AMRO Cayman's capitalisation since 31 December 2006.

	As of 31 December 2006
	(R.$ in millions)
Liabilities	
Time deposits	219
Liabilities for loans and onlendings	2,896
Other liabilities	547
Deferred Income	9
Due to Head Office	
Capital account	2,715
Prior-year income	1,300
Total capitalisation[(1)]	**7,686**

(1) Total capitalisation equals the sum of total liabilities and total amounts due to Head Office

SUMMARY FINANCIAL INFORMATION OF BANCO ABN AMRO REAL S.A. GRAND CAYMAN BRANCH

The following summary financial information as of and for the six months ended 30 June 2006 and 2005 and for the years ended 31 December 2006, 2005, 2004 and 2003 is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the audited financial statements of Banco ABN AMRO Real S.A. as of and for the six months ended 30 June 2006 and 2005 and for the years ended 31 December 2006, 2005, 2004 and 2003, with the notes thereto and reports of the independent auditors thereon, included in this Base Prospectus. The basis of presentation of ABN AMRO Cayman's financial information is described under "Presentation of Financial Information" in this Base Prospectus.

	As of 30 June		As of 31 December			
Balance Sheet Data	**2006**	**2005**	**2006**	**2005**	**2004**	**2003**
Assets:			*(R.$ in millions)*			
Cash and due from banks	1	1	1	1	1	274
Interest earning deposits with banks	35	3,433	154	67	122	—
Investment securities	5,772	148	6,801	4,386	3,668	4,165
Interbank accounts	12	—	—	—	—	—
Loans and Advances, net	-	1	183	-	3	104
Other assets	-	370	—	-	-	—
Interest receivable	551	-	536	5	401	89
Fixed assets	12	14	11	13	16	19
Total assets	**6,383**	**3,967**	**7,686**	**4,472**	**4,211**	**4,557**
Liabilities and Shareholders' Equity						
Deposits	223	222	219	212	210	10
Funds from foreign exchange	1,688	1,009	1,579	1,278	1,004	1,231
Interbranches Accounts	2	1	11	17	5	3
Liabilities for loans and onlending	64	50	1,306	175	49	115
Derivatives	16	4	30	7	5	245
Other liabilities	538	10	517	8	13	18
Deferred income	12	11	9	13	11	6
Shareholders equity	3,840	2,660	4,015	2,762	2,914	2,929
Total liabilities and shareholders' equity	**6,383**	**3,967**	**7,686**	**4,472**	**4,211**	**4,557**

	As of 30 June		As of 31 December			
Income Statement Data	**2006**	**2005**	**2006**	**2005**	**2004**	**2003**
Assets:			*(R.$ in millions)*			
Financial revenues	614	212	1,046	455	335	214
Financial expenses	(558)	(132)	(805)	(343)	(61)	(61)
Net income from financial operations	56	80	241	112	274	153
Administrative expenses	(16)	(15)	(87)	(41)	(63)	(40)
Other operating income (expenses)	164	14	226	122	(49)	(1)
Net non-operating results	—	—	—	—	61	—
Net income	204	79	380	193	223	112

MANAGEMENT

Until recently, the management of the Bank was comprised of an Administrative Council, consisting of members elected by the shareholders, and a Management Board, whose members were elected by the Administrative Council. A meeting of the general shareholders on 28 February 2003 extinguished the Administrative Council.

Therefore, the Bank is currently managed by a Management Board, comprised of members elected by the shareholders of the Bank at a general meeting, for a period of three years. The mandate of the current members of the Management Board indicated below will expire at the 2009 general shareholders meeting.

Management Board	Title
Fábio Colletti Barbosa	President
João Roberto Gonçalves Teixeira	Vice President
José de Menezes Berenguer Neto	Vice President
Pedro Paulo Longuini	Vice President
Michiel Frans Kerbert	Vice President
Luiz Felix Cardamone Neto	Executive Director
Maria Luiza de Oliveira Pinto e Paiva	Executive Director
Renato Pasqualin Sobrinho	Executive Director
Wagner Augusto Ferrari	Executive Director
Marcos Matioli de Souza Vieira	Executive Director
Fernando Byington Egydio Martins	Executive Director
Enilson Espínola Sales de Souza	Executive Director
Carlos Eduardo de Cápua Correa da Fonseca	Executive Director
Francisco Di Roberto Junior	Executive Director
Gustavo José Costa Roxo da Fonseca.	Executive Director
João Luiz Pasqual	Executive Director
José Alfredo Lattaro	Executive Director
José Roberto Machado Filho	Executive Director
Luciane Ribeiro	Executive Director
Luiz Fontoura de Oliveira Reis Filho	Executive Director
Marco Antonio Martins de Araújo Filho	Executive Director
Sérgio Augusto Constantini (*)	Executive Director
Rui Fernando Soares Ferreira da Silva(*)	Executive Director
Antonius Van Nimwegen(*)	Director
Carla Bardaro	Director
Carlos De Camargo Penteado Braga	Director
Celso Paulo Nunes	Director
Flavio Tavares Valadão	Director
João Guilherme de Andrade Só Consiglio(*)	Director
Kleber Monteiro Moreira Filho	Director
Maria Eugênia Andrade Lopez Santos	Director
Romolo Antonio Nigro Junior	Director
Sergio Augusto Costantini	Director
Victor Hugo Homrich	Director

(*) Pending Central Bank approval.

The maximum aggregate compensation of the members of the Management Board is set in accordance with the policies of the Bank.

The business address of each of the above individuals is Avenida Paulista, 1374, São Paulo-S.P. Brazil.

Biographies

The following are selected biographies of the members of the Management Board:

Fabio Colletti Barbosa. Mr. Barbosa joined the Bank in September 1995 and became President of the Bank (and Chairman of the Management Board) in August 1996. He also holds the position of President

of the Management Board of ABN AMRO Leasing and he is the President of the Administration Council of ABN AMRO Leasing. Mr. Barbosa received a BA in Administration from the Fundação Getúlio Vargas and a MBA from IMD – Lausanne.

João Roberto Gonçalves Teixeira. Mr. Teixeira has been Executive Vice President since 28 February 2003, having joined the Bank in 2002. He is responsible for the "Empresas" Clients areas. Mr. Teixeira received a degree and a master degree in Economics from Pontifícia Universidade Católica de Rio de Janeiro and an MBA from London Business School.

José de Menezes Berenguer Neto. Mr. Berenguer Neto joined the Bank in 2002 and was appointed Executive Vice President on 28 February 2003. He is responsible for the Treasury and "Empresas" Products areas. Mr. Berenguer Neto holds a degree in Law from Pontifícia Universidade Católica de São Paulo.

Pedro Paulo Longuini. Mr. Longuini was appointed Executive Vice President of the Bank on 1 December 1998 and Executive Director of ABN AMRO Leasing on 30 December 1998, respectively, having joined the Bank in May 1996. He is responsible for the Financial Control areas. Mr. Longuini holds a degree in Mechanical Engineering from the Instituto Tecnológico de Aeronáutica (ITA).

Michiel Frans Kerbert. Mr. Kerbert joined the ABN AMRO Group in 1983 and was appointed Executive Vice President of the Bank in 2001. In 2002, he was appointed Chief Commercial Officer, responsible for the Retail Areas. Mr. Kerbert received a Master's Degree in Business Administration and a Bachelor's Degree in International Finance & Economics both from the University of Groningen, The Netherlands.

Luis Felix Cardamone Neto. Mr. Cardamone Neto was appointed Executive Director in 2001, having joined the Bank in 1988. He is responsible for the Cards and Payment Means/Mortgage area. Mr. Cardamone Neto received a degree in Business Administration from Fundação Lusíadas.

Maria Luiza de Oliveira Pinto e Paiva. Mrs. Paiva was appointed Executive Director on 30 April 2003, having joined the Bank in December 1994. Mrs. Paiva holds a degree in Psychology from Pontifícia Universidade Católica and a Human Resources Specialisation from Michigan University.

Renato Pasqualin Sobrinho. Mr. Pasqualin Sobrinho has been Executive Director since 20 September 2004, having joined the Bank on 9 August 1999. He is responsible for the Credit Risk area. Mr. Pasqualin Sobrinho received a degree in Business Administration from Fundação Getúlio Vargas.

Wagner Augusto Ferrari. Mr. Ferrari joined the Bank in January 1983 and was appointed Executive Director on 20 September 2004. He is responsible for the Commercial Retail area. Mr. Ferrari holds a degree in Business Administration from Instituto Amador Aguiar and a MBA from IBMEC.

Marcos Matioli de Souza Vieira. Mr. Vieira has been Executive Director of Business Planning since May 1999. He joined ABN AMRO Bank N.V. in January 1993. He is also a member of the Administration Council of ABN AMRO Leasing. Mr. Vieira holds a degree in Business Administration from Fundação Getúlio Vargas.

Fernando Byington Egydio Martins. Mr. Martins joined the Bank in April 1998 and was appointed Executive Director of Marketing in October 1999. He has been working for the Real Organisation since 1987, always in Planning and Marketing. Mr. Martins holds a degree in Business Administration from Fundação Armando Álvares Penteado.

Enilson Espínola Sales de Souza. Mr. Sales de Souza joined the ABN AMRO Group in July 1985, and has been Executive Director since March 2000. He is responsible for the Consumer Finance business unit. Mr. Sales de Souza holds a degree in Mechanical Engineering and a degree in Business Administration from Universidade Federal da Paraíba.

Carlos Eduardo de Cápua Correa da Fonseca. Mr. Fonseca was appointed Executive Director on 31 July 2000, having joined the Bank in 1999. He is responsible for the Information Technology area. Mr. Fonseca holds a degree in Electric Engineering from Universidade de São Paulo.

Francisco Di Roberto Junior. Mr. Di Roberto has been Executive Director of the Bank since September 2006, having joined Banco ABN AMRO in 1995. He is responsible for the Business Unit for Latin America area (*Unidade de Negócios América Latina*). Mr. Di Roberto holds a degree in Business Administration from Fundação Mineira de Educação e Cultura.

Gustavo José Costa Roxo da Fonseca. Mr. Fonseca has been Executive Director of the Bank since September 2006, having joined Banco ABN AMRO in 1997. He is responsible for the Technology Information area (*Tecnologia da Informação*). Mr. Fonseca holds a degree in Engineering from Escola Politécnica da Universidade de São Paulo, a Master degree in Electronic Engineering from the same University, and an MBA from MIT - Sloan School of Management.

João Luiz Pasqual. Mr. Pasqual has been Executive Director of the Bank since September 2006, having joined Banco Sudameris Brasil S.A. in 1974. He is responsible for the International and Financial Transactions for Retail area (*Área Internacional e Transações Financeiras Varejo*). Mr. Pasqual holds a degree in Mathematics from the Pontifícia Universidade Católica de Campinas – PUCC, with a specialisation in Technology (*Informática*) from Universidade Paulista, and MBA in International Commerce from Universidade de São Paulo, with extension at École Superiéure des Affaires Université Pierre Mendes, in Greoble, France.

José Alfredo Lattaro. Mr. Lattaro has been Executive Director of the Bank since September 2006, having joined Banco Real S.A. in 1998. He is responsible for the service operations and process regarding the Bank's branches area (*operações e processamento de serviços realizados na rede de agências*). Mr. Lattaro attended until de third semester of Business Administration at Instituição Moura Lacerda.

José Roberto Machado Filho. Mr. Machado has been Executive Director of the Bank since September 2006, having joined the Bank in 2003. He is responsible for the management of the Treasury Desk position, cash, liquidity, interest rates differences, foreign exchange position, pricing of wholesale and retail products and capital investments (*gerenciamento de posições de Tesouraria, caixa e liquidez, descasamento de taxas de juros, posição de câmbio, precificação de produtos para atacado e varejo, e investimento do capital*). Mr. Machado holds a degree in Electronic Engineering from Faculdade de Engenharia Industrial (FEI), with master degree in Business, Economics and Finance from the Universidade de São Paulo.

Luciane Ribeiro. Mrs. Ribeiro has been Executive Director of the Bank since September 2006, having joined the Bank in 2006. She is responsible for the administration of investment funds. Mrs. Ribeiro holds a degree in Economy from FAAP – Fundação Armando Alvares Penteado.

Luiz Fontoura de Oliveira Reis Filho. Mr. Reis has been Executive Director of the Bank since September 2006, having joined Banco Holandês in 1991. He is responsible for the Client Team – Integrated Energy area. Mr. Reis holds a degree in Economy from Universidade de Brasilia, with MBA degree from Northwestern University – Kellogg School of Management.

Marco Antonio Martins de Araújo Filho. Mr. Araújo has been Executive Director of the Bank since September 2006, having joined the Bank in 2003. He is responsible for the Legal Department. Mr. Araujo holds a Law degree from Universidade de Brasilia, and a LLM degree in International Business and Trade Law from Fordham University.

Sérgio Augusto Constantini. Mr. Constantini has been Executive Director of the Bank since December 2006, having joined the Bank in 2003. He is responsible for Cash Management Sales – Local, Regional and International for Latin America. Mr. Constantini holds a degree in Electronic Engineering from the Escola de Engenharia Mauá, with a specialization degree in Marketing from ESPM – Escola Superior de Propaganda e Marketing, MBA *strictu sensu* and MBA *latu sensu* from Fundação Getúlio Vargas – FGV.

Rui Fernando Soares Ferreira da Silva. Mr. Silva has been Executive Director of the Bank since December 2006, havng joined ABN AMRO Group in 1997. He is responsible for the Capital Markets, Credit Portfolio Management, Structured Financing and Investments FIPS Sales (*vendas para instituições financeiras e entidades do setor público* or sales to financial institutions and government institutions) and Brokerage areas. Mr Silva holds both a degree and a licentiate degree (*Licenciatura*) in Economics from Universidade do Porto, Portugal.

Directors without specific designation:

Antonius Van Nimwegen. Mr. Nimwegen has been Executive Director of the Bank since December 2006, having joined ABN AMRO Group in 1995. He is responsible for Treasury – Regional Latin America. Mr. Nimwegen holds a degree in Business from Universidade Nyenrode, Breukelen, in Holland, a degree in Economics and Accounting from Universidade Erasmus, Rotterdam, in Holland. He also has a Ph.D. (*Doutorado*) in Economics from Universidade Nyenrode, Breukelen, in Holland.

Carla Bardaro. Mrs. Bardaro has been Director of the Bank since September 2006, having joined the Bank in 1996. She is responsible for the development and implementation of an education plan for Asset Management and Private Banking and *Empresas* areas. Mrs. Bardaro holds a degree in Business Administration from Fundação Getúlio Vargas – FGV, with a specialization degree in Marketing and Finance from FGV, and an MBA from the Sociedade de Desenvolvimento Empresarial – PDG Executivo.

Carlos De Camargo Penteado Braga. Mr. Braga has been Director of the Bank since September 2006, having joined Banco Holandês Unido S.A. in 1988. He is responsible for the Wholesale area for Latin America (*área do Banco de Atacado para America Latina*). Mr. Braga holds a degree in Economy from the Faculdade Cândido Mendes, with a master degree from Instituto Brasileiro de Mercado de Capitais (IBMEC), and extension courses in International Commerce from the University of California – Los Angeles, and in management of corporate resources from the Institute of Management Development.

Celso Paulo Nunes. Mr. Nunes has been Director of the Bank since September 2006, having joined the Bank in 2000. He is responsible for the Client Teams Industrials. Mr. Nunes holds a degree in Business Administration from the Pontifícia Universidade Católica – PUC, and an MBA from the New York University (Stern).

Flavio Tavares Valadão. Mr. Valadão has been Director of the Bank since September 2006, having joined the Bank in 1998. He is responsible for the Mergers & Acquisitions area. Mr. Valadão holds a degree in Electronic Engineering from the Escola de Engenharia Mauá, a master degree in Eletronic Engineering from the University of Lillie (France), and a specialization degree in Accounting and Finance from the Instituto Brasileiro de Mercado de Capitais (IBMEC).

João Guilherme de Andrade Só Consiglio. Mr. Consiglio has been Director of the Bank since December 2006, having joined Banco ABN AMRO in 1995. He is responsible for the Products area, including all retail and wholesale products except for real estate financing (*crédito imobiliário*), credit cards loans and Aymoré Financiamentos products. Mr. Consiglio holds a degree in Economics from Universidade de São Paulo, a masters degree in Economics from Fundação Getúlio Vargas – FGV, and a Masters degree in Economics from Universitá Degli Studi di Genova, Italy, Facoltá di Economia e Commercio – Instituto di Economia.

Kleber Monteiro Moreira Filho. Mr. Moreira has been Director of the Bank since September 2006, having joined Banco Aymoré in 1970. He is responsible for the private social security entities, and asset management companies' Institutional Clients (*clientes institucionais – previdência privada e empresas de asset management*). Mr. Moreira holds a degree in Accounting from the University Niteroiense Plinio Leite, with a master degree in Financial Administration from Fundação Getúlio Vargas - FGV.

Maria Eugênia Andrade Lopez Santos. Mrs. Santos has been Director of the Bank since September 2006, having joined Banco ABN AMRO in 1991. She is responsible for the Commercial Area of the Wholesale Bank. Mrs. Santos holds a degree in Accounting from the Universidade Federal da Bahia, with a master degree *latu sensu* from Fundação Getúlio Vargas - FGV.

Romolo Antonio Nigro Junior. Mr. Nigro has been Director of the Bank since September 2006, having joined the Bank in 2001. He is responsible for the Clients area, including coordination of sales efforts, tailoring of loan products in local and foreign currency, derivatives and foreign exchange transactions for the Bank's 75 largest clients. Mr. Nigro holds a degree in Civil Engineering from the Escola Politécnica da Universidade de São Paulo, with a degree in Economy from Fundação Getúlio Vargas – FGV, together with the Instituto Brasileiro de Mercado de Capitais (IBMEC).

Victor Hugo Homrich. Mr. Homrich has been Director of the Bank since September 2006, having joined the Bank in 2001. He is responsible for the business of ABN AMRO Real with other financial institutions and public sector for all Latin America. Mr. Homrich attended until the 6th semester of Business Administration at Universidade Federal do Rio Grande do Sul.

The members of the Management Board do not perform any principal activities outside the ABN AMRO Group which are significant with respect to the ABN AMRO Group.

Audit Committee

The Bank has an Audit Committee which is responsible for: (i) establishing the corporate governance rules for the Bank's operations; (ii) make recommendations as to the auditing firm to be engaged to audit the Bank's financial statements ; (iii) review the semi-annual financial statements of the Bank, including the management reports and notes thereto; and (iv) prepare a report at the end of each semi-annual period according to the applicable rules and regulations.

The Audit Committee is comprised of six members, appointed at the Shareholders' Meeting for a five year term, provided that three members must be appointed among the Executive Officers of the Bank. The current members of Audit Committee elected at the Shareholders' Meeting of 3 October 2006 for a term in office until the Shareholders' Meeting of 2009 were:

Audit Committee	
Pedro Paulo Longhini	Member
Marcos Matioli de Souza Vieira	Member
Jose Alfredo Lattaro	Member
Cacildo Irondino Rocha	Member
José Eustáqui de Souza	Member
Pedro de Jesus Oliveira	Member

The Audit Committee meets once every quarter. Special meetings may be held whenever the corporate interests so require. Meetings may be called by any member upon a two day prior notice. Notices may be waived for meetings attended by the majority of the Audit Committee members. The resolutions of the Audit Committee are adopted by a majority vote. Matters which do not obtain a majority vote are referred to the Shareholders' Meeting.

ABN AMRO Leasing

The day-to-day operations of ABN AMRO Leasing are managed by the Management Board. The members of ABN AMRO Leasing Management Board are also members of the Bank Management Board. For selected biographies of the members of the management board, see further "Biographies" above.

As at the date of this Base Prospectus, the Administrative Council and Management Board of ABN AMRO Leasing were as follows:

Administration Council	
Fábio Colletti Barbosa	President of the Council
Marcos Matioli de Souza Vieira	Member
Jose de Menezes Berenguer Neto	Member
Management Board	
Fábio Colletti Barbosa	President Director/Chairman of the Board
Renato Pasqualin Sobrinho	Member
Pedro Paulo Longuini	Director
Michiel Frans Kerbert	Director
Gustavo José da Costa Roxo da Fonseca	Director
Reginaldo Gomes	Director

The members of the Administrative Council and Management Board of ABN AMRO Leasing do not perform any relevant activities outside the ABN AMRO Group which are significant with respect to the ABN AMRO Group.

Biographies

Reginaldo Gomes. Mr. Gomes has been Director of the Bank since September 2006, having joined the Bank in 2006. He is responsible for the Leasing and Banco Nacional de Desenvolvimento – BNDES area, including the management and creation of leasing and BNDES products. Mr. Gomes holds a degree in Business Administration from ESAN – Escola Superior de Administração de Negócios, a MBA in Finance from the IBMEC – Instituto Brasileiro de Mercado de Capitais, and continuous education in Managing Financial Institutions from the FGV – Fundação Getúlio Vargas.

For the description of the biography of others members of Administrative Council and Management Board, see the "Biographies of the Members of the Management Board" of ABN AMRO Real.

ABN AMRO Cayman

ABN AMRO Cayman does not have an independent Management Board and the Bank's Management Board exercises corporate authority over the operations of ABN AMRO Cayman. ABN AMRO Cayman maintains its administrative staff at Avenida Brigadeiro Luiz Antonio, 2020, 10th floor (offshore), 01318-911, São Paulo. The General Manager of ABN AMRO Cayman is José Carlos A. Franco, who has served in such capacity since 1 October 1999.

Employees

As of 31 December 2006, the Bank had 30,058 employees and the personnel for the year ended 31 December 2006 was R$1,839 million.

All of the Bank's employees are represented by the Bank union, *Sindicato dos Bancários*, which negotiates collective bargaining agreements, setting minimum wage rates and benefits for all members. The current collective bargaining agreement is due to expire in September 2007, at which point a new agreement will be negotiated.

During the year ended 31 December 2006, R$295 million was paid to employees pursuant to the profit sharing program and bonus scheme of the Bank.

Compensation

The maximum aggregate compensation of the members of the Management Board is set in accordance with the By-laws of the Bank.

Relationship with ABN AMRO Bank N.V.

Both on an operational and managerial level, the Bank works very closely with ABN AMRO Bank N.V. A number of executives are seconded from ABN AMRO Bank N.V. to the Bank and several local employees are seconded to the international network of ABN AMRO Bank N.V.

In addition to credit liaison and approvals discussed above, the Bank's management has frequent contact with the international division of ABN AMRO Bank N.V. and the Latin America area manager visits several times a year for managerial reviews. Additionally, ABN AMRO Bank N.V.'s internal accountants perform annual audits at the Bank, with emphasis on credit analysis, overall risk profile and internal controls.

Conflicts of interest

There are no potential conflicts of interest between any duties of the members of the management of the Issuers towards the Issuers and their private interests and/or other duties.

THE BRAZILIAN FINANCIAL SYSTEM

The current basic institutional framework of the Brazilian financial system was set up in late 1964 through Law No. 4595/64 (the "Banking Reform Law"). This legislation created the CMN as the body responsible for establishing Brazilian currency and credit policies directed towards economic and social development. The Minister of Finance chairs the CMN, which also comprises the President of the Central Bank and the Minister of Planning, Budget and Management

The Central Bank is responsible for implementing policies of the CMN as they relate to monetary policy, exchange control, regulation of public and private sector financial institutions, dealings in securities and control of foreign investments. The President of the Central Bank is appointed by the President of Brazil (subject to ratification by the Senate) for an open term.

The CVM is the body responsible for implementing policy of the CMN relating to the organisation and operation of the securities industry.

The financial sector in Brazil comprises the following principal institutions:

Principal Financial Institutions

Public Sector

Banco do Brasil S.A. The federal government controlled bank which provides a full range of banking products to the public and private sectors. Banco do Brasil S.A. is one of the largest multiple-service banks in Brazil and the primary financial agent of the federal government.

BNDES. The federal government controlled development bank which is primarily engaged in the provision of medium- and long-term finance to the Brazilian private sector, particularly to industry, either directly or indirectly, through other public and private sector financial institutions. BNDES is responsible for implementing the federal government's privatisation programme.

CEF. The federal government controlled multiple-service bank and the principal agent of the National Housing Finance System which is involved principally in deposit-taking and the provision of finance for housing and urban infrastructure.

Other federal public sector development/commercial banks such as Banco da Amazônia S.A. and Banco do Nordeste do Brasil S.A., as well as a number of state government-controlled commercial and multiple service banks, are also considered to be part of the public sector.

Private Sector

The private financial sector includes, among other institutions, multiple-service banks, commercial banks, investment, finance and credit companies, investment banks, securities dealers, stock brokerage firms, credit co-operatives, Leasing companies and insurance companies.

Commercial Banks. Private sector commercial banks engaged in wholesale and retail banking, particularly active in taking demand deposits and lending for working capital purposes.

Investment Banks. Investment banks engaged primarily in taking time deposits, specialised lending, underwriting and asset management.

Multiple Service Banks. Resolution No. 1,524 of 21 September 1988, replaced by Resolution No. 2,099, of August 17, 1994 ("Resolution No. 2,099"), created for the first time in Brazil multiple-service banks, which may carry out the activities of two or more different financial institutions. Such banks are licensed to provide a full range of commercial banking, investment banking (including securities underwriting and trading), consumer financing and other services including fund management and real estate finance. The creation of a multiple bank requires prior approval of the Central Bank and can be effected through various means, including mergers, acquisitions or incorporation of new institutions. Prior to Resolution 1,524, certain financial activities had to be conducted through separate legal entities; therefore, for example, real estate loans could only be effected through real estate finance institutions and underwriting, through investment banks. Resolution 2,099 states that multiple banks must satisfy the laws and regulations applicable to each distinct group of financial activities, such as commercial, investment and credit transactions.

As well as supervising multiple service banks, the Central Bank also supervises the operations of consumer credit companies, securities dealerships, stock brokerage companies, leasing companies, savings and loan associations and real estate credit companies.

Regulation by the Central Bank

The Banking Reform Law empowered the Central Bank to implement the currency and credit policies laid down by the CMN and to control and supervise all public sector and private sector financial institutions. No financial institution may operate in Brazil without the prior approval of the Central Bank.

Any amendment to a financial institution's by-laws, increases in capital or the setting up or transfer of its principal place of business or of any branch (whether in Brazil or abroad) must be approved by the Central Bank. Central Bank approval is also necessary to enable a financial institution to merge with or acquire another financial institution or in relation to any transaction resulting in a change in control of a financial institution. The Central Bank is also responsible for determining the minimum capital requirements, the compulsory reserve requirements and the lending limits of financial institutions and for ensuring that the accounting and statistical requirements laid down by the CMN are observed.

Financial institutions must submit semi-annual and annual financial statements reviewed by the institution's independent auditors, formal audit opinions as well as monthly unaudited financial statements prepared in compliance with the standard accounting rules promulgated by the Central Bank for each type of financial institution. In addition, as part of the Central Bank's control over their activities, financial institutions are required to make full disclosure of credit transactions, foreign exchange transactions, the destination of proceeds raised from export and import transactions and any other related economic activity. Such data is usually supplied to the Central Bank on a daily basis through computer systems, reports and statements. The duty of a financial institution to make available for inspection by the Central Bank its corporate records and any other document which the Central Bank may require in order to carry out its activities is extended to the corporate or individual which controls such financial institution.

The Banking Reform Law and the Central Bank regulations impose the following specific requirements:

Capital Adequacy. Pursuant to Resolution No. 2,099, as amended, Brazilian financial institutions are required to comply with a capital adequacy framework similar to that presented on the Basle Accord.

In general, the Basle Accord requires a bank to have a ratio of capital to assets and certain off-balance sheet items, determined on a risk-weighted basis, of at least 8%. At least half of the required capital must consist of Tier 1 capital, and the balance of Tier 2 capital. Tier 1, or core, capital includes equity capital (i.e., ordinary shares and non-cumulative permanent preferred shares), share premium, retained earnings

and certain disclosed reserves (less goodwill). Tier 2, or supplementary, capital includes "hidden" reserves, asset revaluation reserves, general loan loss reserves, subordinated debt and other quasi-equity capital instruments (such as cumulative term preferred shares, long-term preferred shares and mandatory convertible debt instruments). Tier 2 capital is limited to the total of a bank's Tier 1 capital. There are also limitations on the maximum amount of certain Tier 2 items.

To assess the capital adequacy of banks under the risk-based capital guidelines of the Basle Accord and Brazilian laws and regulations, a bank's capital is related to the aggregate risk of its assets and off-balance sheet exposure, which are weighted according to five broad categories of risk. The risk-based capital guidelines also set credit conversion formulae for determining the credit risk of off-balance sheet items, such as financial guarantees, letters of credit, foreign currency and interest rate contracts.

Resolution No. 2,099, as amended from time to time, closely traces the mechanics of the Basle Accord. The key differences between Resolution No. 2,099 and the Basle Accord are:

(a) the minimum ratio of capital to assets determined on a risk-weighted basis, as established by Resolution No. 2,099, is 11%;

(b) according to Resolution No. 2,099, swap transactions should be considered in the calculation for the requirement of the minimum net equity of financial institutions;

(c) also according to Resolution No. 2,099, additional capital is required depending on the extent of the financial institution's exposure in respect of foreign currencies and gold; and

(d) the risk-weights assigned to certain assets and credit conversion amounts established by Resolution No. 2,099 differ from those set forth in the Basle Accord to a minor extent.

Pursuant to Resolution No. 2,723, of 31 May 2000, as amended by Resolution No. 2,743, of 28 June 2000, Brazilian financial institutions are required to consolidate all investments in Brazil or abroad whenever the financial institution holds, directly and indirectly, individually or together with another partner, rights that assure (i) prevalence on corporate resolutions of the invested entity; and/or (ii) power to elect or dismiss the majority of the officers of the invested entity; and/or (iii) operational control of the invested company characterised by common management; and/or (iv) effective corporate control of the invested entity characterised by the sum of the equity participation held by the financial institution, its officers, controlling entities, persons, related entities, as well as the equity participation held by them through investment funds.

As of 28 June 2000, upon preparation of the consolidated financial statements, the financial institutions which are related by actual operational control or by operation in the market under the same trade name or trademark, must also be considered for purposes of consolidation.

In addition, on 30 May 2001, the Central Bank enacted Resolution No. 2,837 establishing the criteria for the determination of Reference Capital for Brazilian financial institutions. According to Resolution No. 2,837, the capital of the banks is divided into Tier 1 and Tier 2 capital.

Tier 1 capital is represented by the net worth plus positive result account and less negative result account, excluding the revaluation reserves, contingency reserves and special profit reserves related to mandatory dividends not yet distributed, and deducted the preferred cumulative shares and the preferred redeemable shares.

Tier 2 capital is represented by revaluation reserves, contingency reserves, special profit reserves related to mandatory dividends not yet distributed, preferred cumulative shares, preferred redeemable shares, subordinated debt and hybrid instruments.

The Reference Capital is represented by the sum of Tier 1 and Tier 2 capital and shall be taken into consideration for the purposes of defining the operational limits of financial institutions. According to current regulations, Brazilian financial institutions are subject to the following operational limits:

(a) Investments of Funds in Permanent Assets - Brazilian banks are not permitted to have permanent assets exceeding 50% of their referenced shareholders' equity, as provided for in applicable regulations for the purpose of verifying compliance with the risk diversification and net worth requirements in relation to asset composition risks ("Referenced Shareholders' Equity"—"Patrimônio de Referência—PR"). In accordance with banking regulations, permanent assets include investments in subsidiaries as well as properties, equipment, and intangible assets;

(b) Risk Diversification – A bank may not extend loans, engage in leasing transactions or advances or give guarantees to a single borrower or group of companies representing a common economic interest which, in the aggregate, exceed 25% of the bank's Referenced Shareholders' Equity. This percentage also applies to transactions of underwriting for resale purposes, and for guaranteed underwritings, as well as to investment in securities issued by a single entity, its subsidiaries, affiliates or controlling entities; and

(c) Required Net Worth - As described above, in accordance with the Basle rules, Brazil adheres to a risk-weighted capital adequacy formula with a minimum ratio of capital determined on a risk-weighted assets basis equivalent to 11% (the "Required Net Worth" or "Patrimônio Líquido Exigido—PLE"). The Required Net Worth shall include a portion of capital amounting to 11% over the sum of (1) the result of the multiplication of all accounts under current assets and long-term receivables by the corresponding risk factor, plus (2) the result of the multiplication of all permanent assets by the corresponding risk factors, plus (3) the result of the multiplication of all accounts under joint obligations and pledged guarantee risk by the corresponding risk factors.

On 4 July 2003, in order to reduce the foreign exchange exposure of Brazilian banks, the CMN amended the formula for determining Required Net Worth by decreasing from 1.0 to 0.5 the factor applicable to transactions involving assets and liabilities related to the foreign exchange variation rate. As of 26 September 2001, the exemption percentage for the referenced factor has been equivalent to 5%.

In June 2004, the Basle Committee on Banking Regulation and Supervisory Practices (the "Basle Accord") approved a new framework for risk-based capital adequacy, known as the Basle Accord II. The Basle Accord II sets out details for adopting more risk-sensitive minimum capital requirements for financial institutions. On 9 December 2004, the Central Bank issued *Comunicado* No. 12,746 which established procedures for the application of the Basle Accord II to financial institutions in Brazil.

Reserve and Related Requirements. The Central Bank from time to time imposes compulsory reserve and related requirements. Recently, a few of the previously existing requirements had their rates reduced to zero. However, there is no guarantee that such guarantees will not be increased in the future. The principal compulsory reserves and related requirements imposed by the Central Bank are summarised below:

Demand Deposits. Pursuant to Circular No. 3,274, dated 10 February 2005, banks and other financial institutions are required to deposit 45.0% of the daily average balance of their demand deposits, investment deposits, prior notice deposits, third-party funds, administrative checks, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realisation of guarantees granted to financial institutions in excess of R$44.0 million with the Central Bank on a non-interest-bearing basis. At the end of each day, the balance in such account shall be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Savings Deposits. Currently, pursuant to Circular No. 3,093 dated 1 March 2002, as amended by Circular No. 3,128, dated 24 June 2002, the Central Bank has established that Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20.0% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in saving accounts must be used to finance residential real estate or the housing construction sector. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged-off residential real-estate loans, and certain other financings, all as specified in guidance issued by the Central Bank. Pursuant to Resolution No. 3,023, dated as of 11 October 2002, the Central Bank established an additional reserve requirement of 10% on the savings account funds captured by the entities of the Brazilian Savings and Loan System ("SBPE"). At the end of each day, the balance of the financial institution's account shall be equivalent to 100% of the required deposit in each week.

Time Deposits. Financial institutions' time deposits and certain other amounts in excess of R$30.0 million have to be deposited in an account with the Central Bank, which is remunerated based on the daily average rate of the transactions with Brazilian government securities carried out in the SELIC system. Pursuant to Circular No. 3,091, dated 1 March 2002, as amended by Circular No. 3,127, dated June 14, 2002, the Central Bank currently imposes a reserve requirement of 15% in relation to time deposits. At the end of each day, the amount of such securities shall be equivalent to 100% of the reserve requirement.

Additional Reserve Requirement (Demand Deposits, Saving Accounts and Time Deposits): On 14 August 2002, the Central Bank, by means of Circular No. 3,144, as amended by Circular No. 3,157, dated as of 11 October 2002, established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations.

Pursuant to such regulations, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent to the sum of the following amounts in excess of R$100.0 million: (i) 8% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement; (ii) 10% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement; and (iii) 8% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. At the end of each day, the balance in such account shall be equivalent to 100% of such additional reserve requirement.

Compulsory Credit Transaction. Pursuant to Law No. 10,735 dated 11 September 2003, amended by Law No. 11,110 dated 25 April 2006, commercial banks, multiple service banks and CEF are required to direct part of their funds derived from demand deposits to credit transactions for low-income individuals and small enterprises. According to Resolution No. 3,310, dated 1 September 2005, at least 2% of the balance of the demand deposits of such institutions must be directed to such transactions and the maximum interest rate chargeable is 2% per month, as a general rule, or 4% per month, under certain limited transactions.

Foreign Currency and Gold Exposure. Pursuant to Circular No. 3,333 of the Central Bank dated 5 December 2006, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30% of its Referenced Shareholders' Equity. In addition, if its exposure is greater than 20.0%, the financial institution must hold minimum capital equivalent to 50.0% of the portion of the exposure that exceeds the 20% threshold.

Liquidity. Pursuant to Resolution No. 2283 of 5 June 1996, as amended by Resolution No. 2669, dated 25 November 1999, Brazilian financial institutions may not carry on their balance sheets permanent assets exceeding 50% of their Referenced Shareholders' Equity. A financial institution may not own real estate except when it occupies such property. If a financial institution receives real estate in satisfaction of a debt, such property must be sold within one year. The one-year limit can be extended with authorisation from the Central Bank, for up to two additional one-year periods.

In addition, on December 22, 2000, the CMN enacted Resolution No. 2,804 which establishes that Brazilian financial institutions must implement and maintain risk control systems structured in accordance with their respective operational profiles to permit the monitoring of the positions held by such institutions in all transactions carried out in the financial and capital markets. The purpose of such system is to determine the liquidity risks deriving from the transactions carried out by the banks.

Treatment of Overdue Debts from March 2000. On 21 December 1999, the Central Bank issued Resolution No. 2,682, as amended by Resolution No. 2,697 of 24 February 2000, which requires financial institutions to classify credit transactions representing a total liability equivalent to or higher than R$50,000 in accordance with their level of credit risk as either: AA, A, B, C, D, E, F, G and H. Such credit classifications shall be determined in accordance with criteria set forth from time to time by the Central Bank taking into consideration:

(a) as to the debtor and the guarantor, their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration and quality of controls, contingencies and credit limits, as well as payment delays; and (b) as to the terms and conditions of the transaction, its nature and purpose and the collaterals attached thereto, with particular emphasis on the level of liquidity of such collaterals and the total amount of the credit covered thereby.

Credit transactions involving the same client or economic group must be determined by analysing the particular credit transaction for such client or economic group which represents the greatest risk to the financial institution.

Credit classifications shall be reviewed:

(a) monthly, in the case of a delay in the payment of any instalment of principal or interest, in accordance with the following:

(i) 1 to 14 days overdue: risk level A;
(ii) 15 to 30 days overdue: risk level B;
(iii) 30 to 60 days overdue: risk level C;
(iv) 61 to 90 days overdue: risk level D;
(v) 91 to 120 days overdue: risk level E;
(vi) 121 to 150 days overdue: risk level F;
(vii) 151 to 180 days overdue: risk level G; and
(viii) more than 180 days overdue: risk level H.

(b) every six months, in the case of transactions involving the same client or economic group, the amount of which exceeds 5.0 percent of the Referenced Shareholders' Equity of the financial institution; and

(c) once every twelve months, in certain other circumstances, except in the case of credit transactions with a client whose total liability is lower that R$50,000. Such R$50,000 limit may be amended by the Central Bank from time to time.

Failure to comply with the requirements established by the Central bank will result in the re-classification of any transaction to risk level H.

Overdue debt provisions must be recorded monthly by the financial institutions. These provisions must not fall below the sum of the following amounts:

(i) 0.5 per cent of the total amount of credit transactions classified as level A;
(ii) 1.0 per cent of the total amount of credit transactions classified as level B;
(iii) 3.0 per cent of the total amount of credit transactions classified as level C;
(iv) 10.0 per cent of the total amount of credit transactions classified as level D;
(v) 30.0 per cent of the total amount of credit transactions classified as level E;
(vi) 50.0 per cent of the total amount of credit transactions classified as level F;
(vii) 70.0 per cent of the total amount of credit transactions classified as level G; and
(viii) 100.0 per cent of the total amount of credit transactions classified as level H.

Credit transactions up to $50,000 may be classified either by the financial institution's own evaluation method or according to the delay in payments criteria, described in item (a) above, whichever is more stringent.

Resolution No. 2,682/99 also applies to leasing transactions and other transactions characterised as credit advances.

Provision for Loan Losses for Income Tax Deduction Purposes. Until March 1993, provisions for loan losses were deductible for income tax purposes only up to the amount recorded as overdue credits. From April 1993 to August 1993, the deductible amount was equal to the percentage obtained from the ratio of credits in default and total loans receivable in the previous three years applied to total receivable credits. From September 1993 to December 1994, the deductible provision for loan losses was limited to 0.5% of the total receivable credits derived from operational activities. Until 31 December 1996, banks could maintain an allowance for loan losses for income tax deduction purposes for a given year equal to the ratio of actual loan losses incurred during the three previous years and the total outstanding principal amount existing at the beginning of such three previous years, applied to the amount of unsecured loans, exclusive of credits to public sector and other financial institutions.

Law No. 9430 of 27 December 1996 modified the rules applicable to provision for loan losses for income tax deduction purposes. From 1 January 1997, loan losses may be deducted as expenses for the purposes of determination of taxable income as follows:

(a) unsecured credits in an amount of up to R$5,000 per transaction may be deducted when due and unpaid after a period of 180 days regardless of whether any judicial action has been taken by the creditor;

(b) unsecured credits in an amount exceeding R$5,000 and up to R$30,000 per transaction may be deducted when due and unpaid after a period of one year regardless of whether

any judicial action has been taken by the creditor and *provided* that the creditor has initiated and continues administrative procedures for the collection of the debt;

(c) unsecured credits in an amount exceeding R$30,000 per transaction may be deducted when due and unpaid after a period of one year *provided* that the creditor has initiated and continues judicial procedures for the collection of the debt;

(d) secured credits in any amounts may be deducted when due and unpaid after a period of two years *provided* that the creditor has initiated and continues judicial procedures for the collection of the debt;

(e) debts due by companies under "*concordata*" (restructuring) may be deducted (i) only with respect to the portion of the debt which exceeds the amount expected to be paid in the "*concordata*" proceeding; or (ii) with respect to the unpaid amounts which were expected to be paid during the "*concordata*" proceedings; and

(f) debts due to creditors of a bankrupt company *provided* that the creditor has taken the required legal procedures to receive such credit.

After the end of the 180-day period, credits which were classified as overdue are classified as in default and when no longer considered to be receivable must be written off.

According to Law No. 9249 of 26 December 1995, with the exception of insurance, gifts, certain donations, health plans and retirement plans similar to Brazilian social security, non-compulsory contributions as well as certain other expenses are not deductible for tax purposes.

Transactions with Affiliates. In accordance with Article 34 of the Banking Reform Law, a financial institution is prohibited from lending or advancing funds to, or guaranteeing the obligation of, or underwriting transactions of:

(a) any individual or entity which holds more than 10% of its share capital, except (subject to the prior approval of the Central Bank) in certain limited circumstances;

(b) any entity of which the financial institution holds more than 10% of the share capital; and

(c) its executive officers, directors, managers, members of its fiscal council (including their spouses and certain relatives), or any company in which any of such individuals (including their spouses and certain relatives) holds more than 10% of the share capital.

Lending Limits. Pursuant to CMN Resolution No. 2844 dated 29 June 2001, a financial institution may not extend loans and advances or give guarantees to a single borrower or group of companies under common control which, in the aggregate, would exceed 25% of the Referenced Shareholders' Equity of such financial institution. In addition, financial institutions may not underwrite or hold in their investment portfolios securities of any issuer, its subsidiaries or affiliates which exceed 25% of such financial institution's Referenced Shareholders' Equity.

Regulation of Branches. On 31 May 2000, CMN Resolution No. 2,723, as amended by Resolution No. 2,743 dated 2 June 2000, established rules and procedures for Brazilian financial institutions to operate branches and to hold equity interests, either directly or indirectly, in Brazilian or offshore companies, subject to the following requirements:

(a) the Brazilian financial institution shall have been in operation for at least six years;

(b) the Brazilian financial institution's paid-up capital and net worth shall not be less than the minimum levels established by Central Bank regulations for the relevant financial institution plus an amount corresponding to 300% of the minimum paid-up capital and net worth required by Central Bank regulations for commercial banks; and

(c) the Brazilian financial institution shall present to the Central Bank a study on the economic and financial feasibility of the subsidiary, branch or investment.

Central Bank authorisation is also subject to the condition that the Central Bank, for the purpose of consolidating overall supervision, receives information, data and documents relating to the investments made abroad.

Leasing Regulations. The basic legal framework governing leasing transactions is established by Law No. 6,099 of 12 September 1974, as amended by Law No. 7,132 of 26 October 1983, Law No. 9,532 of 11 December 1997 and Resolution No. 2,309 of 28 August 1996, as amended from time to time ("Resolution 2,309"). Resolution No 2,309 sets out the general guidelines for the incorporation of, and the activities permitted to be performed by, leasing companies. The CMN, in its capacity as regulator and supervisor of the financial system, supervises and controls transactions conducted by the leasing companies. Furthermore, to the extent applicable, the regulations issued by the Central Bank with respect to financial institutions in general, such as reporting requirements, capital adequacy and leverage, asset composition limits and treatment of doubtful loans, are also applicable to leasing companies.

Insolvency Regime

Law No. 11,101 of February 10, 2005 (the "New Bankruptcy Law"), which took effect on June 9, 2005, governs bankruptcy in general. Insolvency of financial institutions remains governed by specific regimes (intervention, extra-judicial liquidation and temporary special administration, as discussed below). According to Section 197 of the New Bankruptcy Law, financial institutions are subject to the New Bankruptcy Law on a subsidiary basis, until specific rules are enacted. (See "The New Bankruptcy Law").

Pursuant to Law No. 6,024/74, the Central Bank has the power to decree the intervention or the extra-judicial liquidation of any financial institution, except public financial institutions controlled by the federal government.

Intervention

An intervention may be carried out if it can be established, at the discretion of the Central Bank, that:

(a) due to mismanagement the financial institution has experienced losses which may represent a risk to its creditors; or

(b) the financial institution has consistently infringed Brazilian banking laws or regulations; or

(c) intervention is a feasible alternative to the liquidation of the financial institution.

The intervention proceeding will be terminated if:

(a) the Central Bank establishes that the irregularities which triggered intervention have been eliminated;

(b) at the discretion of the Central Bank, the parties concerned have provided the necessary guarantees; or

(c) the liquidation or bankruptcy of the financial institution is declared.

Otherwise, the Central Bank may liquidate the financial institution (see below) or authorise the intervenor to file for bankruptcy if (i) the assets of the relevant financial institution are not sufficient to satisfy at least 50% of the total amount of its outstanding unsecured debts; or (ii) the complexity of the business carried out by the financial institution; or the relevance of the evidence collected with respect to the institution so advise.

Extra-judicial liquidation

An extra-judicial liquidation of a financial institution (except those controlled by the federal government) may be carried out by the Central Bank if it can be established that:

(a) debts of the financial institution are not being paid when due; or

(b) the financial institution is presumed bankrupt under the rules of the New Bankruptcy Law; or

(c) the financial institution has incurred losses that could abnormally increase its exposure to unsecured creditors; or

(d) management of the relevant financial institution has seriously infringed Brazilian banking laws or regulations; or

(e) if, upon cancellation of its operating license, a financial institution's statutory liquidation proceedings are not carried out in due course or are carried out with a delay which, at the Central Bank's discretion, may represent a risk to its creditors. Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institutions' officers or by the intervenor appointed by the Central Bank in the intervention proceeding (see above).

Liquidation proceedings may cease:

(a) if the concerned parties take upon themselves the administration of the relevant financial institution after having provided the necessary guarantees, at the discretion of the Central Bank; or

(b) when the liquidator's final accounts are rendered and approved, and subsequently filed with the Public Registry; or

(c) if the bankruptcy of the financial institution is declared.

The New Bankruptcy Law

Pursuant to the New Bankruptcy Law, labour claims up to 150 times the prevailing minimum wage for each creditor and labour indemnity claims deriving from labour accidents have priority over any other claims against the bankrupt estate. Other claims are subject to the following order of priority:

(a) secured credits up to the value of the relevant collateral;

(b) tax claims;

(c) credits with special privilege over certain assets;

(d) credits with general privilege;

(e) unsecured credits;

(f) contractual penalties and fines deriving from violations of legal provisions; and

(g) subordinated credits. The Notes will be considered unsecured credits.

The major changes brought by the New Bankruptcy Law include, among others, the replacement of debt rehabilitation (*concordata*) by judicial reorganisation. As it is more comprehensive, under the new mechanism companies facing financial difficulties are ensured greater flexibility to renegotiate their debts with creditors. Under this procedure, the company will submit a reorganisation plan within 60 days as from the judicial decision which approved the reorganisation of the company in financial difficulties. Any creditor may file with the court any objection in relation to such company's reorganisation plan. If there is at least one objection duly filed against the reorganisation plan, a creditors' meeting has to be convened up to 150 days as from the judicial decision which approved the reorganisation procedure, and at the end of this 150-day period the bankruptcy will be adjudicated by a judge if such creditors' meeting rejects the reorganisation plan. The New Bankruptcy Law also allows for more informal negotiations by creating the mechanism of extra-judicial reorganisation, and authorising the courts to recognise such agreements which may be imposed on any minority creditors when approved by a majority of the creditors.

On 9 February 2005, Supplemental Law No. 118 was also passed to amend some of the provisions of the National Tax Code ("CTN"), to bring the CTN into line with the changes proposed by the New Bankruptcy Law. The main changes brought by Supplemental Law No. 118 are:

(a) the order of priority to receive credits with *in rem* guarantees, which will now take precedence over tax credits, after payment of labour credits; and

(b) the termination of the tax succession mechanism, by which the purchaser of the assets of either the bankruptcy estate or the company facing financial difficulties was liable for tax debts and liabilities claimed after the purchase.

The main consequence of the New Bankruptcy Law and the amendment to the CTN is that they open the possibility of reorganisation of economically viable companies facing temporary difficulties, while maintaining jobs, payments to creditors and settlement of taxes. In the event of bankruptcy, termination

of tax succession will be favourable, since it will allow for the sale of assets without a high depreciation on their value.

Repayment of Creditors.

Two measures have affected the priority of repayment of creditors of Brazilian banks. First, on 29 June 1995, Congress enacted Law No. 9069 (ratifying Provisional Measure No. 542 of 30 June 1994) which confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Secondly, the President of Brazil issued on 13 September 1995 Provisional Measure No. 1113 (converted into Law No. 9450 of 14 March 1997), which established that, in the event of bankruptcy or extra-judicial liquidation of, or intervention by the Central Bank in, a Brazilian bank, all amounts received by such bank as repayment of advances for future exports (*adiantamentos sobre contratos de câmbio*) shall be mandatorily applied to the repayment of the foreign creditor which has extended the corresponding credit line related to such advance to the Brazilian bank.

Credit Insurance Fund (*Fundo Garantidor de Créditos* or "FGC"). The FGC, ruled by CMN Resolution No. 3,251, of 16 December 2004, as amended by Resolution No. 3,400 dated 6 September 2006, was created to guarantee customer deposits with financial institutions in case of intervention or liquidation of such financial institutions. The FGC is administered by a Board of Directors, the members of which are appointed by the National Confederation of Financial Institutions (*Confederação Nacional de Instituições Financeiras* or "CNF") and the Executive Officers. The total amount of credits held by each person against a financial institution (or against financial institutions of the same financial group) will be guaranteed by the FGC up to a maximum of R$60,000. When the assets of the FGC reach 2% of the total amount covered by the guarantee, the CMN may suspend, temporarily, the percentage of contribution of the financial institutions to the FGC mentioned above. Financial institutions are required to contribute monthly to the FGC an amount equal to 0.0125% of the balance of the accounts guaranteed by such fund.

The FGC funds will be raised mainly from: (i) ordinary contributions from its members (0.0125% of the amounts of the guaranteed credits deposited with the relevant financial institution as stated in its monthly financial statements); (ii) services fees derived from checks returned for deficiency of funds; (iii) recovery of credits honoured by the FGC; and (iv) interest earned on the FGC investments funds.

Up until July 1996, the Central Bank provided financial assistance to financial institutions facing liquidity problems through so-called *redesconto* lines. Funds made available pursuant to the *redesconto* lines are generally charged at higher interest rates than funds available from other sources and their use is therefore limited to cases of extreme liquidity problems. In July 1996, an additional liquidity assistance mechanism was established by the Central Bank to assist financial institutions in the management of their daily cash positions. The funds available to a financial institution under this mechanism are limited to a proportion of the compulsory deposits made with the Central Bank in compliance with the applicable reserve requirements. Interest rates for funds drawn under this line are much lower than those applicable for the *redesconto*, and are routinely used by banks in the management of their daily activities.

Dividends and Distributions to Shareholders. In accordance with the Brazilian Corporate Law (Law No. 6,404/76, as amended), preferred shares of private held (non-government controlled) corporation may have priority over common shares in the distribution of minimum or fixed dividends (i.e., in the event that there are insufficient funds to pay both common and preferred shareholders, the preferred shares have priority in the distribution of the funds available). After the payment of fixed dividends to preferred shareholders, such shareholders are not entitled to receive any additional dividends eventually remaining. However, if the by-laws provide for the payment of minimum dividends to the company's shareholders, profits remaining after the payment of the dividends shall be proportionally distributed to preferred and

common shareholders. Each common share entitles its holder to one vote in the deliberations of the shareholders meeting and preferred shares have no voting rights, except in certain cases defined in the Brazilian Corporate Law (Law No. 6404/76).

Any accumulated losses and provisions for payment of income tax are deducted from the profits of the year; following this, any entitlement to participation, in accordance with the by-laws, of employees, officers and holders of participation certificates, are deducted in this order. The balance after these deductions represents the company's net profit, from which, before any other payment is made, a deduction of 5% must be made for the legal reserve. From the net profits thus assessed, the shareholders are entitled to receive, each year, as a compulsory dividend, such portion of the profits as may be provided for in the by-laws or, if the by-laws are silent, 50% of the net profits, after the payments to the preferred shareholders of the dividends to which they are entitled, as required by Law No. 6404/76.

Generally, dividends are payable to persons who are shareholders of record on the books of the registrar on the date on which dividends are declared. A company is not required by law to monetarily correct dividends for inflation occurring during the period from the date such dividends are declared to the date they are paid.

Foreign Banks. Prior to the enactment of the new Federal Constitution on 5 October 1988, in order to operate a branch, subsidiary, agency or office in Brazil, a foreign corporation had to apply for permission from the federal government. As provided for in applicable legislation, only the President of Brazil could authorise a branch operation. A foreign bank duly authorised to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements applied to any other Brazilian financial institution. In accordance with the terms of the Federal Constitution enacted on 5 October 1988 (Article 192), authorisation for the functioning of financial institutions shall be regulated through a law yet to be enacted. Until the issue of such law, the establishment in Brazil of new agencies of foreign financial institutions and the increase in their participation in the Brazilian financial system is prohibited (Article 52 of the Transitory Provisions of the Federal Constitution). Nevertheless, specific authorisation can be issued if there is an interest of the Brazilian Government.

The Brazilian Payment and Clearing System

The current Brazilian payment system, which includes a clearing system, was regulated and restructured under legislation enacted in 2000 and 2001. The restructuring of the Brazilian payment system comprised the following: (a) adoption of an adequate legal basis; (b) reduction of the Central Bank credit risk; (c) creation of a large value transfer system which operates on a real time gross settlement basis; (d) adoption of risk management mechanisms in the relevant subsystems with considerable potential to generate the systemic risk; (e) reduction of the time-lag between the execution of the transaction and its final completion; (f) knowledge by the Brazilian financial institutions authorised to hold reserves account with the Central Bank of the risks involved in the systems in which they operate; and (g) irrevocability to the settlements between financial institutions.

The systems comprising the Brazilian clearing system are responsible for creating safety mechanisms and rules for controlling risks and contingencies, for loss sharing among market participants and for direct execution of participants' positions, performance of their agreements and foreclosure of collateral held in custody. In addition, clearing houses and settlement service providers that are considered important for the system are obliged to set aside a portion of their assets as an additional guarantee for the settlement of transactions.

Under the new rules, responsibility for the settlement of a transaction is assigned to the clearing houses and settlement service providers responsible for it. Once a financial transaction has been submitted for

clearing and settlement, it generally becomes the obligation of the relevant clearing house and/or settlement services provider to clear and settle it, and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions chartered by Central Bank are also required under the new rules to create mechanisms to identify and avoid liquidity risks in accordance with certain procedures established by Central Bank. Under these procedures, institutions are required to:

(a) maintain and document criteria for measuring liquidity risks and mechanisms for managing them;

(b) analyse economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;

(c) prepare reports to enable the institution to monitor liquidity risks;

(d) identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;

(e) adopt control systems and test them periodically;

(f) promptly provide to the institution's management available information and analysis regarding any liquidity risk identified, including any conclusions or remedies adopted; and

(g) develop contingency plans for handling liquidity crisis situations.

After a period of tests and gradual implementation, the new Brazilian payment system entered into operation in April 2002 and is currently fully implemented. The Central Bank is the main governmental authority with powers to regulate and supervise the Brazilian payments and clearing system.

Credit Restrictions. In response to an increase in consumer spending since 1995, the Central Bank has implemented several measures to restrain such spending. See "Reserve and Related Requirements" above.

Foreign Currency Loans. On 30 August 2000 the CMN enacted Resolution No. 2,770, according to which cross-border loans between individual for legal entities (including banks) resident or domiciled in Brazil and individuals or legal entities resident or domiciled abroad are no longer subject to the prior approval of the Central Bank.

Notwithstanding the exemption from prior approval, according to Circular No. 3,291, dated 12 September 2005, the inflow of funds into Brazil related to: (i) issuance of securities abroad; (ii) foreign loans; (iii) loans related to export transactions (securitisation of export transactions); and (iv) pre-payments of export transactions with a maturity term of more than 360 days, are subject to the prior electronic declaratory registration through the Module RDE-ROF of the Central Bank Information System – SISBACEN.

The registration in such Module RDE-ROF must be effected by the borrower or by its representative. As a general rule, registrations are automatically granted, by the issuance of the RDE-ROF number of the transaction. Exceptions to this general rule are applicable when the costs of the transaction are not compatible with prevailing market conditions and practice and the structure of the transaction does not fit

within the existing standards of the electronic system. After the inflow of the funds, the borrower must register the payment schedule in the Module RDE-ROF, which is indispensable for the remittances abroad of principal, interest and charges, and for the shipment of goods, as the case may be.

The payment of default interest continues to be exempt from any specific authorisation of the Central Bank, up to a limit of 1% per year above the contractual interest rate. According to Circular Letter No. 2,205, dated 23 August 1991, such limit does not apply to multilateral agencies.

Resolution No. 2,770 also establishes that Brazilian financial institutions and leasing companies are authorised to raise funds abroad and freely apply such funds in the local market.

Financial institutions which fail to provide information required by the Central Bank in connection with foreign exchange transactions or which provide incomplete or inaccurate information with respect to these transactions will be subject to penalty in accordance with CMN Resolution No. 2,901 of 31 October 2001.

Pension Funds. The pension funds investments are currently regulated by Resolution No. 3,121, dated as of 24 September 2003, as amended, which establishes the following limits for the investment of the funds: (i) 14% of the portfolio in real estate investments for the period comprised between the years 2003, 2004 and 2005, decreasing to 8% until 2009; (ii) 100% of the portfolio in fixed income investments related to securities issued by the Brazilian Federal Government and the Central Bank; (iii) 80% of the investment portfolio in debentures of public held companies; (iv) up to 50% of the investment portfolio in shares of companies listed in Brazilian capital markets and the in the special corporate governance segments of BOVESPA; and (v) 10% of the investment portfolio in loan transactions and real estate transactions, among others.

Restructuring of Financial Institutions

Since the second half of 1994, the Brazilian banking system has been under considerable pressure. The Real Plan and the high reserve requirements on both deposits and loans, limitations on the provisions of credit, tight money supply and high real interest rates adversely affected the operations and profitability of Brazilian banks. Brazilian banks were suffering from high levels of non-performing loans and were recording loss provisions accordingly. Since the second half of 1997, international banks have increased their participation in the Brazilian market, in particular through the acquisition of domestic banks. In addition, various small banks have collapsed or come under the administration of the Central Bank.

In view of these bank failures and in an attempt to promote the restructuring and strengthening of the Brazilian financial system, the Government, through Provisional Measure No. 1,179, of 3 November 1995, (which has been restated by several provisional measures, and which subsequently became Law No. 9,710 of 19 November 1998) and the Central Bank, through Resolution No. 2,208, of 3 November 1995, as amended by Resolution Nos. 2,253 and 2369, and Circular No. 2,633 of November 16, 1995, established a new set of rules designed to facilitate corporate reorganisations among financial institutions. The main measures include:

(a) the granting to the Central Bank of power to determine the mandatory capitalisation, transfer or control and/or corporate restructuring of financial institutions;

(b) the establishment by the Central Bank of a special credit facility, known as PROER, the Programme for the Improvement and Enhancement of the National Financial System ("Programa *de Estímulo à Reestruturação e ao Fortalecimento do Sistema Financeiro Nacional*"), with the specific purpose of providing capital to financial institutions which

acquire the control or the assets and obligations of other financial institutions, or whose control is transferred to third parties; and

(c) the creation of certain tax benefits for financial institutions pursuant to PROER.

In addition to the aforesaid procedures, the Central Bank may also impose a Temporary Special Administration Regime (*Regime de Administração Especial Temporária* or "RAET") introduced by Decree-law No. 2,321, of 25 February 1987, which is designed to assist in recovering financial institutions which are in deteriorating financial conditions. It may be imposed by the Central Bank in the following circumstances:

(a) continuous practice of transactions contrary to the economic and financial policies established by federal law;

(b) existence of liabilities not adequately secured;

(c) non-compliance with the Central Bank's rules relating to the compulsory reserve requirements (see "—Regulation by the Central Bank—Reserve and Related Requirements"); and

(d) illegal conduct or misconduct by management.

In addition, the RAET may be imposed by the Central Bank in any of the situations which would allow for the intervention in a financial institution.

In order to reduce the participation of the States in banking activities, the Government has issued Provisional Measure No. 1,514 of 7 August 1996 (most recently reissued on 24 August 2001 as Provisional Measure No. 2,192-70 which remains effective pursuant to the transitional provisions implementing Constitutional Amendment No. 32 of 11 September 2001) establishing certain mechanisms for the privatisation, winding up or transformation into non-financial institutions of financial institutions currently controlled by the States. The Government may, subject to certain conditions relating to the guarantees to be provided by the States:

(a) acquire the control of a relevant financial institution for the exclusive purpose of its privatisation or winding up; or

(b) finance the winding up or transformation of the financial institution into a non-financial institution or development agency; or

(c) finance any prior adjustments necessary for the privatisation of the financial institution; or

(d) purchase contractual credits held by the financial institution against its controlling shareholder and entities controlled by such shareholder and refinance such credits; or

(e) upon prior approval of the CMN and subject to the fulfilment of certain conditions by the relevant State, finance a capitalisation programme to improve the management of the financial institution; or

(f) secure the financing granted by the Central Bank; or

(g) finance the creation of new development agencies for the states which have entered into financing or refinancing agreements derived from such Provisional Measure No. 2,192.

Independent Accountants and Audit Committee. CMN Resolution No. 3,198, dated 27 May 2004, as amended by Resolutions No. 3,271 and 3,332/2005, regulate the rendering of services by independent accountants to financial institutions and other institutions authorised by the Central Bank to operate in Brazil, as well as to clearing houses and clearing and custody services renderers ("Resolution No. 3,198/04"). The main aspects of Resolution No. 3,198/2004, complemented by Circular No. 2,676, dated 11 April 1996, are the following: (i) financial institutions are required to substitute their independent accountants at least every five consecutive fiscal years; (ii) a former independent accountant of a relevant financial institution can be re-hired only after three complete fiscal years have elapsed from its prior assignment to such financial institution; (iii) independent accountants are required to prepare the following reports: (a) report of the examined audited financial statements with respect to compliance with accounting principles as well as the relevant rules issued by the CMN and the Central Bank; (b) report evaluating the quality and adequacy of internal control procedures, including risk assessment criteria and data processing systems; and (c) report on the compliance with applicable operational laws and regulations; (iv) each relevant independent accountant should immediately communicate to the Central Bank any detected irregularity that may materially adversely affect the relevant financial institution status; and (v) each financial institution must appoint an executive officer to be responsible before the Central Bank for the supervision and compliance with the auditing and accounting rules and the rendering of information with respect to such matters.

In addition to the above, Resolution No. 3,198/04 requires financial institutions holding a Referenced Shareholders' Equity equal to or greater than R$1.0 billion; or managing third-party assets equal to or greater than R$1.0 billion; or managing third-party assets and holding deposits in the aggregate amount equal to or greater than R$5.0 billion, to create a corporate body designated as an "audit committee", which must be composed of at least three individual members, with a maximum term of office of five years each, in case of institutions listed at Stock Exchanges, and with undetermined term of office, in case of non-listed institutions. The audit committee is subject to the Board of Directors' or the Executive Committee's authority. The audit committee must keep the reports available for the Board of Directors' or the Central Bank's inspection for five years after they are issued.

Investment Management. Law No. 6,385, dated 7 December 1976 ("Law No. 6,385"), as amended by Law No. 10,303, dated 31 October 2001 ("Law No. 10,303"), regulates the establishment of securities' investment funds, which remains thereafter subject to CVM's supervision. With respect to financial institutions, CVM's supervision is limited to the activities regulated by Law No. 6,385, which allows the supervision of the Central Bank as well. CMN Resolution No. 3,334, dated 22 December 2005 ("Resolution No. 3,334"), revoked the previous Central Bank regulation on investment funds and authorised remittances from and to other countries for the application in funds qualified as foreign debt funds. Financial institutions, in their capacity as managers of foreign debt funds, may not, as a general rule, hold quotas of these funds. Controlling entities of the financial institutions which manage foreign debt funds, as well as the entities they control either directly or indirectly, may acquire quotas of these funds only under certain limited circumstances.

Securities and derivative instruments' accounting policies and procedures. Pursuant to Central Bank Circular No. 3,068, dated 8 November 2001, as amended by Circular No. 3,129, dated 27 June 2002, from 30 June 2002 securities must be classified according to the management's intended use thereof, in one of the following three categories: "trading," "available for sale" and "held to maturity."

Securities classified as "trading" are acquired for trading purposes, and changes in their market value are recognized as income. Securities classified as "available for sale" are those not classified as "trading" or

"held to maturity", and changes in their market value are recognized in the financial institutions' net worth. Both "trading" and "available for sale" securities have their value adjusted according to the security's market value.

Securities classified as "held to maturity" are maintained at the financial institution's portfolio until their maturity. The value of these securities is adjusted according to the securities' purchase value, plus earnings, affecting the institution's financial results. In addition, the securities held in portfolio until maturity may be hedged for accounting purposes, but their increase or decrease in value derived from the mark-to-market accounting method should not be taken into account.

Pursuant to Circular No. 3,082, dated 30 January 2002, as amended, from 30 June 2002, derivative financial instruments must be marked according to their market value and their appreciation or depreciation must be charged off or credited to income or expenses, unless they are designated as a hedge. The derivative financial instruments designated as hedges should be classified as a hedge of market risk or of cash flow risk and the changes in their market value should be charged or credited to income or to a separate shareholders' equity caption (similar to other comprehensive income) respectively. These practices have been developed based on principles found in internationally recognized accounting principles.

Asset management regulation. On 15 February 2002, the Central Bank issued Circular No. 3,086, as amended by Circular No. 3,096, of 6 March 2002, and complemented by CVM Instruction No. 438, of 12 July 2006, establishing criteria for the registration and accounting evaluation of titles, securities and financial instruments, derivatives that form financial investment funds ("FIFs"), quotas of funds for application in quotas of other investment funds ("FACs"), individual programmed retired funds and offshore investment funds. According to this Circular, the Central Bank redefined the accounting policy for the fund managers to mark their portfolio. Securities must be classified into two specific categories: "trading" and "held to maturity." Securities classified as "trading" must be marked according to their market value, and securities classified as "held to maturity" may be booked at their original yield to maturity. As a result of this mark-to-market mechanism, the fund units reflect the fund's net asset value.

Tax on Foreign Exchange, Securities, Credit and Insurance Transactions ("IOF"). Pursuant to Decree No. 2,219 of 2 May 1997, the Minister of Finance is empowered to establish the applicable tax rate on foreign exchange, securities, credit and insurance transactions. The IOF tax may be amended by an Executive Decree (rather than by law), and is not subject to the *ex-post-facto* principle, according to which laws increasing the rate of or creating new taxes only comes into effect as of the later of (i) the first day of the year following their publication; or (ii) 90 days after their publication. A statute increasing the IOF rate takes effect from its publication date.

The IOF tax may be imposed on any foreign exchange transactions ("IOF/Exchange"), including on the conversion of Brazilian currency into any foreign currency for the purposes of payment of dividends. The Minister of Finance is empowered to establish the applicable IOF/Exchange tax rate, which, according to Law No. 8,894 of 21 June 1994, may be fixed at any time up to a maximum rate of 25%. The current regime established by Decree No. 2,219 of 2 May 1997 levies a 0 % IOF/ Exchange on exchange transactions related to the inflow of proceeds from foreign-sourced loans (except for (i) loans with maturity of less than 90 days which is subject to a 5% IOF/Exchange tax rate; and (ii) foreign exchange transactions related to the payment of credit card expenses abroad, which is subject to a 2% IOF tax rate) and to the inflow of funds destined for privatisation, exchange transactions related to investments in fixed income funds, interbank transactions involving financial institutions located abroad and local financial institutions authorised to deal in foreign exchange by the Central Bank and short-term deposits made by foreign entities with Brazilian financial institutions.

The IOF tax is levied on any credit transaction carried out in Brazil ("IOF/Credit"), calculated according to the term of such credit transaction, at a rate of 0.0041% per day, up to 1.5% per year. In many cases, such IOF/Credit is reduced to zero and, therefore, a case-by-case analysis is required.

The IOF tax may also be levied on issuance of bonds or securities ("IOF/Securities"), including transactions carried out on Brazilian stock, futures or commodities exchanges. The rate of the IOF/Securities tax with respect to transactions in notes is currently zero, although certain transactions may be subject to specific rates and the Minister of Finance, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction, during the period the investor holds the securities, up to the amount equal to the gain obtained on the transaction and only from the date of its increase or creation.

The IOF tax is also assessed on gains realised in transactions with terms of less than 30 days consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of investment funds or investment pools. The maximum IOF rate payable in such cases is 1% per day, up to the amount equal to the transaction gain. The rate decreases according to the maturity of the transaction, reaching zero for those transactions with maturities of at least 30 days. The rates for the following transactions are currently 0%:

(a) transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals;

(b) transactions carried out by mutual funds or investment pools themselves;

(c) transactions carried out in the equity market, including those performed in relation to stocks, futures and commodities exchanges and similar entities;

(d) redemption of shares in equity funds; and

(e) transactions carried out by governmental entities, political parties and labour unions.

The IOF tax is levied on insurance transactions at a rate of (i) 0%, in reinsurance or export credit transactions, international transport of goods, when premiums are allocated to the financing of life insurance plans with coverage for survival, among others and on premiums paid in health insurance and life insurance related to personal and labour accidents; and (ii) 7% on premiums paid in any other types of insurance. Insurance related to agricultural activities are exempt from IOF tax.

Temporary Contribution on Financial Transactions ("CPMF"). On 15 August 1996, the National Congress approved an amendment to the Brazilian Constitution (Amendment No. 12) authorising the enactment of a new tax on financial transactions between Brazilian banks and their customers, the CPMF. On 19 January 1999, the Brazilian Senate approved an amendment to the constitution extending the CPMF for a further period of three years, and increased the CPMF rate to 0.38% in the first year, and 0.30% in the subsequent two years. Since 18 March 2001, the applicable rate is 0.38% pursuant to Constitutional Amendment No. 31 of 18 December 2000. On 12 June 2002, the National Congress approved Constitutional Amendment No. 37 which extended the validity of CPMF. According to Constitutional Amendment No. 37, the reinstated CPMF became effective for the period between 13 June 2002 to 31 December 2004, at a rate of 0.38 per cent., from its reinstatement until 31 December 2003, and at a rate 0.08% for the subsequent year. However, in 31 December, 2003, the Constitutional Amendment No. 42, postponed the CPMF tax regime at the rate of 0.38% until 2007.

The CPMF tax is collected on debits of *reais* from bank accounts (with certain limited exceptions), creating an incentive for clients to reduce their transactions in the financial system and to limit their use of short-term investments. Financial institutions are exempted from the CPMF on financial transactions entered into in the course of their business. Transactions carried out in the Stock Exchange Market are also exempt from the CPMF. The CPMF rate can be modified at any time by the Brazilian government, but cannot exceed 0.38%. According to Law No. 10,892, dated 13 July 2004, as of 1 October 2004 debts denominated in Reais from checking accounts opened exclusively for financial investments (such as investment funds, fixed and floating income financial assets ("*conta corrente de depósito para investimento*" or simply "*conta investimento*") are not subject to CPMF tax.

Guarantees. CMN Resolution No. 2,325, issued on 30 October 1996, established procedures for the granting of guarantees by Brazilian banks and abolished existing restrictions. As a result, commercial banks may now grant any type of guarantee, except to related parties. See "—Regulation by the Central Bank—Transactions with Affiliates".

Foreign Investment in Brazilian Financial Institutions. The Decree of 9 December 1996, authorised the acquisition, by investors residing outside Brazil, of non-voting shares issued by financial institutions located in Brazil. CMN Resolution No. 2,345, issued on 19 December 1996, and Resolution No. 2,628, issued on 6 August 1999, regulated the procedures applicable to such investments.

Law No. 10,833

In accordance with article 26 of Law No. 10,833, enacted on 29 December 2003, which came into force on 1 February 2004, capital gains realised on the disposition of assets located in Brazil by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, is subject to taxation in Brazil. Although the Bank does not believe that Notes issued under this Programme will fall within the definition of assets located in Brazil for purposes of Law No. 10,833, there can be no assurance whether such interpretation will ultimately prevail.

Banking Consumer Defense Code

CMN Resolution No. 2,878, dated 26 July 2001, as amended by Resolution No. 2,892, dated 27 September 2001, established procedures with respect to the engagement of financial transactions and the services provided by financial institutions to customers and the public. In general, these procedures were aimed at improving the relationship between market participants by fostering additional transparency, discipline, competition and reliability on the part of financial institutions. The regulation consolidated all the previous related rules. The main changes introduced by this Resolution are described below:

(a) financial institutions must ensure that customers are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect the counterparts against abusive practices. All queries, consultations or complaints regarding agreements or the publicity of clauses must be promptly answered, and fees, commissions or any other forms of service or operational remuneration cannot be increased unless reasonably justified (in any event these cannot be higher than the limits established by the Central Bank);

(b) financial institutions are prohibited from transferring funds from their customers' different accounts without prior authorisation;

(c) financial institutions cannot require that transactions linked to one another must both be carried out by the same institution. If the transaction is dependent on another transaction, the customer is free to enter into the latter with any financial institution it wishes;

(d) financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services. Financial institutions are liable for any damages caused to their customers by their misrepresentations;

(e) interest charges in connection with personal credit and consumer-directed credit transactions must be proportionally reduced in case of anticipated settlement of debts; and

(f) customers have the right to withdraw up to R$5,000 upon request if the operation is carried out in the branch where a customer maintains its accounts. For higher amounts, customers are required to give the financial institution at least four hours prior notice.

New Civil Code

Law No. 10,406, dated 10 January 2002 introduced a new Brazilian Civil Code (the "New Civil Code"), which took effect on 11 January 2003. Law No. 10,406 was enacted to amend the Civil Code previously in force in several important ways, including introducing changes to update the legal system. The New Civil Code remains very wide-ranging in application, governing individuals, corporations and other legal entities, and has provisions which affect, among others, contracts, including guarantees, property, family and succession law.

The New Civil Code provides that claims shall become void unless if made within five years in the case of principal and three years in the case of interest. In the event enforcement proceedings are initiated in Brazil in connection with the Notes or a foreign judgement is brought for enforcement in Brazil after the prescription periods provided in the New Civil Code, there can be no assurance that a Brazilian court will uphold the prescription periods provided in the terms of the Notes.

Contractual obligations and guarantees entered into before 11 January 2003 are governed by the Civil Code previously in force solely in relation to their validity; although the effects of such agreements as of 11 January 2003 are governed by the New Civil Code. The changes made by the New Civil Code are not expected to have a material impact on the Bank's current business.

Amendment to the Brazilian 1988 Constitution

On 29 May 2003, the Constitutional Amendment No. 40 ("EC 40/03") was enacted and revoked all subsections and paragraphs of Article 192 of the Brazilian constitution. This amendment allows the Brazilian financial system to be regulated by specific laws in respect of each sector of the system rather than by a single law relating to the system as a whole. In addition, EC 40/03 revoked the 12 per cent. ceiling on interest rates.

EXCHANGE CONTROLS AND FOREIGN EXCHANGE RATES

Until March 4, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market (the "Commercial Market") and the floating rate exchange market (the "Floating Market"). Although the exchange positions of the Brazilian banks had been unified since January 25, 1999, leading to a convergence in the pricing and liquidity of both markets, the Commercial Market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from Brazilian monetary authorities, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad (including the payment of principal of and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and duly registered with the Central Bank); and the Floating Market rate generally applied to specific transactions for which Central Bank approval was not required. Both the Commercial Market rate and the Floating Market rate were reported by the Central Bank on a daily basis.

On 4 March 2005 and 9 March 2005 the Central Bank enacted new rules with respect to the foreign exchange market in Brazil. The new regulations unified the two previously existing foreign exchange markets into a single foreign exchange market (the "Foreign Exchange Market"). The new regulations also eliminated previous restrictions and allowed more flexibility for the purchase and sale of foreign currency, as well as extended the period for reporting proceedings derived from Brazilian exports to the Central Bank.

Under the Foreign Exchange Market, Brazilian legal entities and individuals may purchase and sell foreign currency in transactions of any nature and without any amount limitations, subject to the legality of the transaction and in accordance with the economic basis of the transactions and the obligations set forth in the respective documentation.

The Central Bank has recently introduced further regulation in relation to foreign exchange transactions, aimed at reducing the costs of such transactions and simplifying the rules regarding the Brazilian foreign exchange market. The new regulation supplemented Law No. 11,371, dated 28 November 2006, and the amendments include the elimination of limits over foreign exchange sale and purchase positions of financial institutions and savings banks ("Caixas Ecoômicas") authorised to operate in the foreign exchange markets, as well as to give flexibility to the documentation requirements. It is expected that the Central Bank will introduce further regulations in relation to foreign exchange transactions.

The following table sets forth the period end, average, high and low Commercial Market selling rates published by the Central Bank expressed in Reais per U.S.$ for the periods and dates indicated.

Year	Low	High	Average[(1)]	Period End
2003	2.8219	3.6623	3.0703	2.8892
2004	2.6544	3.2051	2.9268	2.6544
2005	2.1633	2.7621	2.4324	2.3407
2006	2.0586	2.3711	2.1950	2.1380

(1) Represents the average of the month-end rates beginning with December of the previous period through the last month of the period indicated.

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or serious reasons to foresee such an imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. There can be no assurance that such measures will not be taken by the Brazilian Government in the future. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry" in Part A of this Base Prospectus.

BRAZILIAN ACCOUNTING METHODOLOGY

Companies in Brazil are generally required to prepare financial statements on the basis of the accounting methodology required by the Brazilian Corporate law. Financial statements prepared pursuant to Brazilian corporate law ("Corporate Law statements") are used by the Brazilian tax authorities in determining taxable income. In addition to preparing financial statements in accordance with the Corporate Law methodology, for periods ending on or before 31 December 1995, institutions registered with the Central Bank (including the Bank, ABN AMRO Leasing and Banco Real) or the CVM were required to prepare financial statements in accordance with Comprehensive Monetary Correction methodology ("Comprehensive Monetary Correction statements").

The Comprehensive Monetary Correction methodology, implemented in 1988, was more encompassing than the Corporate Law methodology and required not only the restatement of permanent assets and stockholders' equity but also the restatement of inventories, advances from clients and advances to suppliers and the discounting to present value of accounts receivable and accounts payable. More importantly, however, the net charge or credit to income under the Corporate Law methodology was analysed under the Comprehensive Monetary Correction methodology and allocated directly to the various income and expense items to which it related. In addition, the Comprehensive Monetary Correction methodology required that prior year financial statements be restated to current price levels to facilitate comparison.

The appropriateness of these methodologies is only valid to the extent that the official inflation indices are a true reflection of inflation. Over the years, these indices have varied from other indices of inflation, at times significantly, particularly in 1989 and 1990. In 1991, Law No. 8200, enacted in recognition that prior year official indices were unrealistically low (a) required retroactive restatement of financial statements for the year ended 31 December 1990 using the IPC rather than the official index in effect in 1990 and (b) permitted revaluation of fixed assets and on 31 December 1990 adjustment for deficiencies in indices used prior to 1990. These adjustments became law in 1991.

After 1 January 1996, the monetary correction of financial statements, which was required by Brazilian Corporate Law, was abolished by Law No. 9249/95. Accordingly, the financial statements as at and for the six months ended 30 June 2006 and 2005 and the years ended 31 December 2006, 2005, 2004 and 2003 of the Bank and ABN AMRO Leasing, which have been prepared in accordance with Corporate Law methodology, have not been monetarily restated to reflect the effects of inflation for the respective periods.

Instruction No. 248 of the CVM issued on 29 March 1996 provides that companies registered with the CVM (which includes ABN AMRO Leasing and Banco Real, but does not include the Bank) may, in addition to preparing financial statements prepared in accordance with Corporate Law methodology, prepare financial statements in accordance with the Comprehensive Monetary Correction methodology. Orientation Rule No. 29 issued on 11 April 1996 stated that any voluntary presentation of financial statements in constant currency must follow the CVM regulations in existence prior to the enactment of Law No. 9249 and may be presented as a note to the financial statements prepared in accordance with the Corporate Law methodology. According to the same Orientation Rule No. 29 any general price index may be used for producing financial statements in constant currency. On 26 April 1996, the Institute of Brazilian Accountants (*Instituto Brasileiro de Contadores* — "IBRACON") issued a technical release in which the IGPM was recommended as the inflation index to be used in preparing and updating for changes in price-levels in financial statements for periods and dates from 1 January 1996. The Bank, ABN AMRO Leasing and Banco Real have determined that they will not prepare financial statements in accordance with the Comprehensive Monetary Correction methodology.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES AMONG ACCOUNTING PRACTICES ADOPTED IN BRAZIL, U.S. GAAP AND IFRS

The financial statements incorporated by reference in this Base Prospectus have been prepared in accordance with Accounting Practices Adopted in Brazil. Accounting Practices Adopted in Brazil comprises the accounting guidelines provided by Law No. 6,404 of December 15, 1976, as amended, complemented by accounting regulations issued by CVM, standards issued by the *Conselho Federal de Contabilidade* (or CFC) and interpretation statements issued by the *Instituto dos Auditores Independentes do Brasil* (or Brazilian Institute of Independent Auditors or IBRACON), the Brazilian professional accounting body. These accounting principles and standards, in the case of listed companies under the jurisdiction of the CVM, are complemented by certain additional instructions issued by the CVM. In addition, the CVM and other regulatory entities such as the Central Bank and SUSEP provide additional industry specific guidelines.

There are certain significant differences among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS (which incorporates all existing International Financial Reporting Standards, or IFRS, International Accounting Standards, or IAS, as well as IFRIC and SIC interpretations) which may be relevant to the financial information presented herein. We have made no attempt to identify or quantify the impact of these differences. The following is a summary of certain of those differences; however, this summary does not purport to be complete and should not be construed as exhaustive.

In reading this summary, prospective investors in the Notes should also have regard to the considerations:

- Differences among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any future events, ongoing work and decisions of the regulatory bodies that promulgate Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS that could affect future comparisons among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS. The current differences disclosed in this summary are not intended to be complete and are subject to, and qualified in their entirety by, reference to the respective pronouncements of the Brazilian and United States professional accounting bodies and those of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

- As differences among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS may be significant to the financial position or results of operations of the Company prospective investors unfamiliar with Accounting Practices Adopted in Brazil should consult their own professional advisors for an understanding of the differences among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS and how those differences might impact the financial information presented herein.

- Unlike U.S. GAAP and IFRS, under Accounting Practices Adopted in Brazil there are no specific principles relating to certain matters such as business combinations, financial instruments, accounting and reporting for research and development costs and leases.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

Account for the Effects of Inflation

Under Accounting Practices Adopted in Brazil, because of the highly inflationary conditions which have prevailed in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimize the impact of the distortions in financial statements caused by inflation. However, as from January 1, 1996 no inflation accounting adjustments are permitted for financial statements prepared under Accounting Practices Adopted in Brazil.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. However, a methodology is prescribed by Accounting Principles Board Statement **("APB")** No. 3, "Financial Statements restated for General Price-Level Changes" for companies operating in hyper-inflationary environments in which inflation has exceeded 100% over the last three years and which report in local currency. As from a date between July 1, 1997 and January 1, 1998, the Brazilian economy is no longer highly inflationary as the increase in the general price index was less than 100% over the previous three years.

Under IFRS, inflation accounting following the methodology prescribed by standard IAS 29 (Financial Reporting in Hyperinflationary Economies) is required for companies which report in local currency and which operate in hyper-inflationary economies in which cumulative inflation has exceeded 100% over the preceding three years. However, other indicators prescribed by IAS 29 can be taken in conjunction with the 100% three year inflation limit. As a result, considering this quantitative limit for IFRS purposes, financial statements should be adjusted for the effects of inflation to the date on which the Brazilian economy was no longer deemed to be hyper-inflationary, which was July 1, 1997. However, in practice considering all other factors January 1, 1997 is also an acceptable date.

Foreign Currency Translation

Under Accounting Practices Adopted in Brazil, the financial statements of subsidiaries operating in non-highly inflationary currency environments are translated using the current exchange rate. Financial statements presented in highly inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken to the income statement.

Under U.S. GAAP, Statement of Financial Account Standards **("SFAS")** No. 52 requires two different translation methodologies depending whether the functional currency of the subsidiary is the reporting currency. For subsidiaries operating in highly inflationary environments (a cumulative inflation rate of approximately 100% or more over a three-year period) the reporting currency is considered to be the functional currency. When the functional currency of the subsidiary is the local currency the translation of foreign currency financial statements into the reporting currency should be made using the period end exchange rate for all assets and liabilities. Revenue and expenses should be translated at the exchange rate of the dates when they were recognized. Translation gains and losses are reported as a separate component of stockholders' equity. When the functional currency of the subsidiary is a currency other than the local currency, including the reporting currency, the methodology differs in that the translation gains and losses should be reported in income.

Under IFRS, when translating financial statements into a different presentation currency (for example, for consolidation purposes), IFRS requires the assets and liabilities to be translated using the closing (year-end) rate. Amounts in the income statement are translated using the average rate for the accounting period if the exchange rates do not fluctuate significantly. Any translation differences are reported in equity (other comprehensive income).

Equity Method of Accounting

Under the equity method of accounting, a company is required to record an original investment in the equity of another entity at cost which is thereafter periodically adjusted to recognize the investor's share of the investee's earnings, losses and dividend payments after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments in its subsidiaries (companies that are controlled by the parent company), on its stand-alone financial statements, and its affiliates (companies in which the parent company owns at least 10% of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20% or more of the capital, if the aggregate book value of all such investments is equal to or greater than 15% of the net worth of the parent company or if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10% of the net worth of the parent company. If the parent company is registered with the CVM, the subsidiary companies must be consolidated if their aggregate book values exceed 30% of stockholders' equity of the parent company, or if the parent company has control over management decisions of any single affiliate or if the investee is financially dependent on the parent company. In the case of financial institutions, investments in subsidiaries are required by the Central Bank to be recorded using the equity method of accounting regardless of their significance. In addition, the exchange variation resulting from investments in subsidiaries abroad is required by the Central Bank to be recorded as equity pick up in subsidiaries in the income statement. The Accounting Practices Adopted in Brazil establish certain factors that are indicative of the fact that the company exerts influence.

Under U.S. GAAP, the equity method of accounting is applicable only to those investments (i) in which the parent company's participation through common voting shares is greater than 20% and less than 50% of the share capital of the subsidiary or affiliate and where the parent company does not have control or (ii) in which the parent company's participation through common voting shares is less than 20% of the share capital of the subsidiary or affiliate but the parent company exerts significant influence over such subsidiary or affiliate. The equity method of accounting is not an appropriate substitute for consolidation.

Under IFRS (IAS 28), the equity method of accounting is applicable to those investments: (i) in which the investor has significant influence over the investee, which is generally represented by 20% or more of the voting power, without controlling the entity where consolidation is required (see topic below).

Consolidation and Proportional Consolidation

Under Accounting Practices Adopted in Brazil, as per CVM Instruction No. 247 of March 27, 1996, as amended by CVM Instructions Nos. 269/97 and 285/98 for fiscal years ending after December 1, 1996, inclusive, financial statements should consolidate the following entities: (a) entities on which the company has voting rights that provides it with the ability to have the majority on the social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by stockholders' agreements irrespective of the participation in voting stock. Joint ventures, including investees in which the company exerts significant influence through its participation in a stockholders' agreement in which such group controls the investee, are to be accounted for under the proportional consolidation method. Under Accounting Practices Adopted in Brazil, before August 2004 there were no specific pronouncements in relation to the consolidation of special purpose entities ("SPEs"). In August 2004, the CVM issued Instruction 408, which requires companies subject to the regulation of CVM to consolidate SPEs when the nature of their relationship with the reporting company indicates that the activities of the SPEs are controlled or jointly-controlled, directly or indirectly, by the reporting company. Consolidation is required in annual consolidated financial statements for financial years ending after January 1, 2005, with earlier application permitted. Instruction 408 provides guidelines as to when the reporting company should be considered to control or jointly-control the

activities of the SPEs. The guidelines are not as detailed as the regulations included in FIN 46 described below.

Under U.S. GAAP, the usual condition for consolidation is ownership of a majority voting interest, and, therefore, as a general rule ownership by one company, directly or indirectly, of over 50% of the outstanding voting shares of another company. Joint ventures are usually accounted following the equity method of accounting. Proportional consolidation is generally not allowed under U.S. GAAP.

In January 2003, the Financial Accounting Standards Board **("FASB")** issued FASB Interpretation **("FIN")** No. 46, "Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51", which was revised by FIN 46(R) in December 2003. The interpretations require consolidation of "variable interest entities" **("VIE")** by the primary beneficiary. VIEs are entities with the following characteristics: (a) the equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; and (b) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: (i) the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights; (ii) the obligation to absorb the expected losses of the entity if they occur. The primary beneficiary is the party that will absorb the majority of the VIE's expected losses, receive the majority of the VIE's expected residual returns, or both. If one party will absorb a majority of expected losses and another party will have rights to a majority of expected returns, the primary beneficiary is the party that will absorb a majority of the expected losses; or (iii) the right to receive the expected residual returns of the entity if they occur. The primary beneficiary, who is the party that absorbs the majority of the VIE's expected losses or has rights to the majority of the VIE's expected residual returns, is required to consolidate the VIE. In the event that different parties are expected to absorb the majority of expected losses and receive that majority of expected residual returns, the party that is expected to absorb the majority of expected losses is considered the primary beneficiary.

Under IFRS (IAS 27), the usual condition for consolidation is to have control, which is generally presumed to exist when the Parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity. Joint ventures are consolidated proportionally.

Under IAS 31, joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions regarding the activities require unanimous consent of the members of the joint venture. Joint ventures are either carried at the equity method or proportionate consolidated.

Under IFRS, specific guidance is provided with respect to the consolidation of SPEs. A SPE may be created to accomplish a narrow and well-defined objective. Such a special purpose entity may take the form of a corporation, trust, partnership or unincorporated entity and are often created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management.

The sponsor frequently transfers assets to the SPE, obtains rights to use assets held by the SPE or performs services for the SPE, while other parties may provide funding. An entity that engages in transactions with the SPE (frequently creator or sponsor) may in substance control the SPE.

SPEs shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

Business Combinations, Purchase Accounting and Goodwill

Under Accounting Practices Adopted in Brazil, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed 10 years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses.

Under U.S. GAAP, SFAS No. 141, "Business Combinations" requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method — the purchase method.

Under SFAS No. 141, the acquiring company records identifiable assets and liabilities acquired at their fair values as well as more detailed guidelines have been provided as to the recognition of "intangible assets" (as defined in the SFAS). Also, under SFAS No. 141 and SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill and other intangible assets with indefinite lives are no longer amortized. Under SFAS No. 142, the amount of goodwill is evaluated for impairment annually, and in the event of impairment its recorded value is adjusted accordingly. The purchase price includes direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value. When securities traded in the market are issued by the acquiring entity as part of the purchase price, the market price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced should be considered in determining the purchase price.

Under SFAS No. 141 negative goodwill is recognized as an extraordinary gain in the statement of operations.

SFAS No. 147, "Acquisitions of Certain Financial Institutions" has been issued and amends SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Under the new standard, which is effective for acquisitions for which the date of acquisition is on or after October 1, 2002, the requirement in paragraph 5 of SFAS No. 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset is no longer within the scope of SFAS No. 72. Such transactions are now required to be accounted for in accordance with SFAS No. 141 and SFAS No. 142. In addition, SFAS No. 72 amends SFAS No. 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Those intangible assets are now subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used.

Under IFRS 3, Business Combinations requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method — the purchase method.

Under IFRS 3, the acquiring company records identifiable assets and liabilities acquired at their fair values. The shares issued in exchange for shares of other companies are accounted for at fair value based on the market price.

In addition, IFRS 3 sets out more detailed guidelines as to the recognition of "intangible assets". Under IFRS 3 and IAS 38, "Goodwill and Other Intangible Assets", goodwill and other intangible assets with

indefinite lives are no longer amortized. Under IFRS 3, the amount of goodwill will be evaluated for impairment annually, and in the case of impairment its recorded value will be adjusted accordingly. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value.

Under IFRS 3 negative goodwill will be recognized as a gain in the statement of operations. Finite-lived intangible assets are generally amortized on a straight-line basis over the estimated period benefited. The client deposit and relationship portfolios intangible asset is recorded and amortized over a period in which the asset is expected to contribute directly or indirectly to the future cash flows.

Transfer of Financial Assets

No specific pronouncement addresses the accounting for transfers of financial assets under Accounting Practices Adopted in Brazil.

Under U.S. GAAP, SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" provides a consistent application of a financial-components approach that focuses on control to account for transfers of financial assets. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered and derecognizes liabilities when extinguished. SFAS No. 140 provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings from an accounting perspective.

A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration is other than beneficial interest in the transferred assets received in exchange. Under SFAS No. 140, it is considered that the transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

- The transferred assets have been isolated from the transferor — put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.

- Each transferee (or, if the transferee is a qualifying special-purpose entity **("SPE")**, each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

- The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Under SFAS No. 140, liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets are initially measured at fair value, if practicable. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer.

Under IFRS, financial assets can be derecognized in full or partially but only when the necessary conditions are met. Derecognition conditions depend on the following factors:

- the rights to the asset's cash flows and substantially all risks and rewards of ownership are transferred;

- an obligation to transfer the asset's cash flows is assumed;

- substantially all risks and rewards are transferred and the following conditions are met:

  (i) no obligation to pay cash flows unless equivalent cash flows from the transferred asset collected;

  (ii) the obligation to pass through cash flows; and

  (iii) obligation to remit any cash flows without material delay; or

- substantially all the risks and rewards are neither transferred nor retained but control of the asset is transferred.

Accounting for Guarantees by a Guarantor

Under Accounting Practices Adopted in Brazil, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognized in income over the period of the guarantee. When the guaranteed party has not honored its commitments and the guarantor should assume a liability, a credit is recognized against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under U.S. GAAP, FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" is effective for guarantees issued or modified after December 31, 2002. FIN No. 45 requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Specific disclosures of guarantees granted are also required under FIN No. 45.

Under IFRS, certain financial guarantees may be accounted for as insurance contracts if certain conditions are met. Otherwise, the guidance in IAS 39 applies: (i) record guarantee contracts at fair value upon initial recognition and (ii) subsequent measurement of the higher of the amount of expenditure needed to settle the obligation (measured under IAS 37) and the amount initially recognised less cumulative amortisation, when appropriate, under IAS 18.

Leasing Operations — Lessor Accounting

Leasing operations are recorded on the basis of accounting principles prescribed by the Central Bank. Leased assets are recorded at cost and adjusted for inflation, less depreciation calculated on the straight-line method over 70% of the assets' useful lives. Gains on sales of leased assets are recognized as income in the year in which the purchase options relating to such assets are exercised. Losses on sales of leased assets are deferred and amortized over the remaining useful lives of the assets, at rates determined by applicable tax legislation. Central Bank regulations require that an adjustment be made to the book value of the leasing portfolio corresponding to present value, utilizing the internal rate of return of each contract. The amount of the adjustment is recorded as an excess/insufficiency of depreciation in the property for lease balance sheet account and credited/charged to other operating income/expenses. Lease financing receivables are recorded at initial contract amounts and adjusted for inflation in conformity with

the criteria and indices established by each contract. Corresponding adjustments to unearned lease income are amortized to income over the life of respective contracts.

Under accounting practices adopted in Brazil, all leases are treated as operating leases and recognized as expense at the time that each lease installment falls due. In addition, financial institutions should record their leasing operations on the basis of accounting principles prescribed by the Central Bank.

Under U.S. GAAP and IFRS, lease capitalization is required if certain conditions are met (U.S. GAAP comprises more extensive form-driven requirements). Under this accounting method, both an asset and an obligation are recorded in the financial statements and the asset is depreciated in a manner consistent with our normal depreciation policy of owned assets.

The lease classification concepts are similar in both U.S. GAAP and IFRS. Substance rather than legal form, however, is applied under IFRS, while extensive form-driven requirements are present in US GAAP. In the case of capital leases, gross lease receivables are reported at the principal amount outstanding plus lease income receivable and guaranteed residual value. Unearned lease income is shown separately as a deduction from the gross lease receivables.

Insurance Premium Deficiency

Under Accounting Practices Adopted in Brazil, no calculation of premium deficiency was required until the year ended December 31, 2000.

Under U.S. GAAP, a premium deficiency shall be recognized if the sum of expected liabilities, expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums. The premium deficiency shall be recorded in the income statement by initially reducing unamortized acquisition costs and, if necessary, by increasing the liability for future policy benefits.

Under IFRS, a similar test named the "Liability Adequacy Test" is required.

Insurance Claim Reserves

Under Accounting Practices Adopted in Brazil until the year ended December 31, 2000, claims could be recorded taking into consideration reported claims. Incurred but not reported **("IBNR")** reserves were recommended to be calculated using an actuarial method as from financial year 2000.

Under U.S. GAAP and IFRS, claims costs are recognized when insured events occur taking into account both reported cases and IBNR.

Marketable Securities

Under Accounting Practices Adopted in Brazil, up to June 30, 2002, marketable debt and equity securities were generally stated at the lower of cost or market value. Gains were recognized in earnings when realized. Additionally, certain specific investments, such as mutual fund investments, were carried at market.

Under Accounting Practices Adopted in Brazil, as from June 30, 2002, marketable securities have been classified and measured in accordance with Circular 3,068. This new regulation establishes the criteria by which securities are classified based on the investment strategy of the financial institution as either trading securities, available-for-sale or held-to-maturity and defines the recognition of the fair

market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available-for-sale securities is directly in stockholders' equity. The rules to account for securities under Circular 3,068 are stated more generally and are less comprehensive than the standards to account for securities under U.S. GAAP.

Under U.S. GAAP, in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", for enterprises in industries not having specialized accounting practices, marketable securities are carried at (i) amortized cost (debt securities held to maturity), (ii) at fair value with gains and losses reflected in income (debt and equity securities classified as trading account securities), and (iii) at fair value with gains and losses, net of income taxes, reflected as a separate component of stockholders' equity in other comprehensive income (debt and equity securities classified as available for sale). When a security classified as held to maturity or available for sale suffers a decline in fair value below its amortized cost that is other than temporary, an impairment loss is recognized in income.

Under IFRS, financial assets including debt and equity securities can be categorized and accounted for as follows:

(i) financial assets at fair value through profit or loss including both financial assets held for trading and any financial assets designated within this category at their inception;

(ii) held-to-maturity investments held with a positive intent and ability to be held to maturity and are recorded at amortized cost. Equity securities cannot be classified as held-to-maturity investments;

(iii) loans and receivables that correspond to financial assets with fixed or determinable payments not quoted in an active market and are measured at amortized costs; and

(iv) available-for-sale financial assets including debt and equity securities designated as available for sale, except those equity securities classified as held for trading and those not covered in the above categories which are measured at fair value. Changes in fair value are recognized in equity and recognized in the statement of income when realized.

Comprehensive Income

Accounting Practices Adopted in Brazil do not recognize the concept of comprehensive income.

Also, as under Accounting Practices Adopted in Brazil, statutory reserves are required to appropriate 5% of the annual local currency earnings, after absorbing accumulated losses, to a legal reserve, which is restricted as to distribution. The reserve may be used to increase capital or absorb losses, but may not be distributed as dividends. Any income remaining after the distribution of dividends on the statutory records and appropriations to statutory reserves is transferred to the reserve for future investments. Such reserve may be distributed in the form of dividends upon approval of the shareholders. There are no similar provisions for U.S. GAAP and IFRS.

Under U.S. GAAP, SFAS No. 130, "Reporting Comprehensive Income", effective for years beginning after December 15, 1997, requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and "other comprehensive income" that includes charges or credits taken directly to equity which are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments under SFAS No. 52, unrealized gains and losses

under SFAS No. 115, and the effects of cash flow hedge accounting under SFAS No. 133, and minimum pension liabilities under SFAS No. 87.

Under IFRS, a statement of recognized income and expenses can be presented including net income as well as other items of income and expense recognized directly in equity such as: (a) fair value gains (losses) on lands and buildings, intangible assets, available-for-sale investments and certain financial instruments, (b) foreign exchange translation differences, (c) the cumulative effect of a change in accounting policy, (d) change in fair value on certain financial instruments if designated as cash flow hedges, and (e) actuarial gains and losses on defined benefit plans recognized directly in equity.

Financial Derivative Instruments

Under Accounting Practices Adopted in Brazil, for periods from June 30, 2002, the accounting principles prescribed by the Corporate Law Method specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions. According to the accounting principles established by the Central Bank, derivative financial instruments are classified based on management's intention to use them for hedging or non-hedging purposes.

- Transactions involving derivative financial instruments to meet customer needs or for own purposes that did not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the global exposures are accounted for at fair value with unrealized gains and losses recognized currently in earnings.

- Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

    - *Fair value hedge.* The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and

    - *Cash flow hedge.* The effective hedge portion of the derivatives is accounted for at fair value and unrealized gains and losses recorded as a separate component of stockholders' equity, net of applicable taxes. The non-effective hedge portion is recognized currently in earnings.

Under U.S. GAAP, SFAS No. 133, as amended and interpreted, "Accounting for Derivative Instruments and Hedging Activities", is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Such Statement requires that a company recognizes all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;

- a hedge of the exposure to variable cash flows of a forecasted transaction; or

- a hedge of the foreign currency exposure of a net investment in a foreign operation.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument.

IAS 39 "Financial Instruments: Recognition and Measurement" requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income.

Certain robust conditions including specified documentation requirements must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either: (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income; or (ii) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income.

Revaluation of Property, Plant and Equipment

Revaluations may be recorded under Accounting Practices Adopted in Brazil provided that certain formalities are complied with. The revaluation increment, normally net of deferred tax effects, is credited to a reserve account in stockholders' equity. As from July 1, 1995 companies may opt to carry property, plant and equipment at cost, monetarily adjusted up to December 31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized, on revaluation increments as from July 1, 1995. Amortization of the asset revaluation increments are charged to income and an offsetting portion is relieved from the revaluation reserve in stockholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under U.S. GAAP, property, plant and equipment are reported at their historical cost less accumulated depreciation. Voluntary revaluations are not permitted. Property, plant and equipment acquired in business combinations accounted for under the purchase method is taken at its fair value at the date of the combination.

Under IFRS, companies may use either the historical cost or carry their property, plant and equipment ("PP&E") at revalued amounts (based on fair value) as the accounting basis. When the revaluation model is selected, revaluations should be made with sufficient regularity. If an item of PP&E is revalued, the entire class of PP&E to which the asset belongs is required to be revalued. All revalued assets, including land, are subject, at the effective income tax rate from the sale of the asset, to deferred income tax. Gains and losses from the sale or disposal of assets are recorded as operating expenses.

Software for Internal Use

Under Accounting Practices Adopted in Brazil, external computer development costs are capitalized at cost and amortized at annual rates of 20%.

Under U.S. GAAP, through Statement of Position **("SOP")** 98-1, certain identified costs related to the development and installation of software for internal use should be capitalized as fixed assets, including design of the chosen path, software configuration, software interfaces, coding, installation of hardware and testing. Costs incurred for conceptualization and formulation of alternatives, training and application maintenance should be expensed as incurred.

Under IFRS, in accordance with IAS 38, "intangible assets", including software, require a classification of the costs associated with their creation due to a research phase and due to a development phase. Costs in the research phase must always be expensed. Costs in the development phase are expensed unless the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset;
- the intention to complete the intangible asset;
- the ability to use or sell it;
- how the intangible asset will generate future economic benefits — the entity must demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset;
- the availability of adequate resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs initially recognized as an expense cannot be capitalized in a subsequent period.

Prior Period Adjustment—Correction of Errors

Under Accounting Practices Adopted in Brazil, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. Brazilian GAAP does not permit the restatement of previous financial statements to provide consistency in reporting, which U.S. GAAP requires in certain circumstances. The CVM has required that such prior period adjustments arising from accounting errors be recorded as an extraordinary item in the results of operations of the current year.

Under U.S. GAAP, companies effectively limit prior period adjustments to corrections of material errors effected by adjusting prior periods' financial statements and making appropriate footnote disclosure regarding the effects of the error on prior periods.

Under IFRS, IAS 8 requires the correction of material errors from prior periods retrospectively in the first set of financial statements authorized for issue after their discovery. This correction must consist of a restatement of the comparative amounts for the prior period(s) in which the error occurred, or, if the error

occurred before the earliest prior period presented, a restatement of the opening balances of assets, liabilities and equity for the earliest prior period presented.

Loan Accounting and Disclosure

Under Accounting Practices Adopted in Brazil, loans are generally carried at cost. Up to March 31, 2000 when changes were introduced by the Central Bank, loans were classified as overdue or doubtful based on the extent to which they were secured and the length of time for which payments were in arrears. Specific minimum allowances were required based on whether they were unsecured or not and the time overdue. As from March 31, 2000, loans should be categorized in 8 categories and the minimum allowance is determined by applying specific percentages to the loans in each category.

Loans are classified in accordance with management's judgment of the risk level, taking into account the economic situation, past experience and specific risks in relation to the transactions, the debtors and the guarantors, complying with the parameters established by CMN Resolution No. 2,682, as amended, which requires periodic analysis of the portfolio and its classification, by risk level, in 8 categories between AA (minimum risk) and H (maximum risk — loss). The minimum allowance is determined by applying specific percentages to the loans in each category.

Income from credit operations overdue for more than 60 days, independently of their risk level, is only recognized as revenue when effectively received. Operations classified as level H remain in such classification for six months, after which time the loan is charged against the existing allowance and remain controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

At minimum, renegotiated loans are maintained at the same level at which they were classified prior to renegotiation. Renegotiated credit operations, which had already been charged against the allowance for doubtful accounts and were in memorandum accounts, are classified as level H and any eventual gains resulting from the renegotiation of loans previously charged-off are recognized as revenue on a cash basis.

Under U.S. GAAP, loan accounting and footnote disclosure are more complex as loans may be carried at cost or at lower cost or market value depending on the classification, and are governed by various accounting standards, including SFAS No. 5, "Accounting for Contingencies"; SFAS 114, "Accounting by Creditors for Impairment of a Loan"; and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan — Income Recognition and Disclosures".

Specific allowances identified for individual loans or pools of loans governed by such pronouncements are supplemented by an amount which covers inherent loan losses not specifically provided for. The amount of inherent loan losses not specifically provided for can be based upon historical charge-off experience, mix of loans and other factors.

Under IFRS, according to IAS 39 "Financial Instruments: Recognition and Measurement", loans and receivables are defined as financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

Extraordinary Items

Under Accounting Practices Adopted in Brazil, extraordinary items may be disclosed separately in the income statement but normally gross of the income tax effect.

Under U.S. GAAP extraordinary items (i.e., items of unusual nature and infrequent occurrence) are disclosed separately in the income statement, net of the income tax effect if applicable. Additionally, under U.S. GAAP extraordinary items are defined in a more restricted manner than under Accounting Practices Adopted in Brazil.

Under IFRS, the presentation of extraordinary items is prohibited.

Organizational and Start-up Costs

Under Accounting Practices Adopted in Brazil organizational and start-up costs may be recognized as assets under "Deferred charges" and deferred of the expected period to be benefited.

Under U.S. GAAP and IFRS organizational and start-up costs are expensed when incurred.

Accrued Interest and Indexation Adjustments

Under Accounting Practices Adopted in Brazil and IFRS, accrued interest and indexation adjustments are presented with the principal amounts.

Under U.S. GAAP, accrued interest and indexation adjustments would be separately recorded.

Recoveries of Loans Previously Charged-off

Under Accounting Practices Adopted in Brazil, recoveries of loans previously charged-off are reflected-in income on a cash basis.

Under U.S. GAAP, recoveries of loans previously charged-off are initially recorded as an increase to the allowance for loan losses.

Under IFRS, subsequent recoveries of amounts previously charged-off decrease the amount of provision for loan impairment in the income statement.

Income Taxes

Under Accounting Practices Adopted in Brazil, the methods adopted for the recording of income taxes are similar to U.S. GAAP but their practical application may lead to different results in certain circumstances. The recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgment. In general, tax credits are recognized when there is evidence of

future realization in a continuous operation. The Central Bank's Circular No. 2,746, dated March 1997, specifies that tax credits can be accounted only if: (a) the loss has been caused by identified and unusual events and the probability of new and similar events is unlikely; (b) there is an expectation of generating positive results for subsequent periods, as well as generation of tax liabilities to permit the realization of tax credits, properly verified through a technical analysis; and (c) there are tax obligations accounted for as liabilities, up to the limit and corresponding to the same period, in order to apply the tax credit. Tax credit recognition rules prohibit keeping the tax credit whenever there has been a tax loss for the last three-year period (including the current year) or available evidence indicates that realization is unlikely. On December 30, 2002, the Central Bank issued Circular No. 3,171, as amended, which: (i) requires additional supporting analysis to recognize deferred tax assets; (ii) requires as a condition to recognize deferred tax assets a history of profitability presenting taxable income in three out of five fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realized in more than 5 years as from the reporting date. Such Circular No. 3,171 is effective as from December 2002 and supersedes prior Circular No. 2,746. On March 31, 2006, Resolution No. 3,355 changed the period from 5 to 20 years for the realization of such tax credit.

Under U.S. GAAP, an asset and liability approach is used to calculate the income tax provision, as specified in SFAS No. 109, "Accounting for Income Taxes". Under this approach, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities at each year/period end. Deferred taxes are computed based on the enacted tax rates expected to apply to taxable income in the period in which the deferred tax asset or liability is expected to be settled or realized. Net operating loss carry forwards arising from tax losses are recognized as assets. A valuation allowance is recognized for a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Under IFRS, the liability method is used to calculate the income tax provision, as specified in IAS 12, "Income Taxes". Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carry forwards arising from tax losses that are recognized as assets. The deferred tax asset shall be recognized to the extent that it is probable that future taxable profit will realize such deferred tax asset.

Statement of Cash Flows

Brazilian financial statements do not present a Statement of Cash Flows in the form required under U.S. GAAP pursuant to SFAS No. 95, "Cash Flow Statements", in which cash receipts and payments are classified by investing, financial and operating activities. Instead, they include a Statement of Changes in Financial Position, which accounts for the origin and use of cash in the case of financial institutions and of working capital for all other entities. However, we present a statement of cash flows in order to provide additional information despite the fact that we are not specifically required to include these as part of our financial statements by the Central Bank.

Under U.S. GAAP and IFRS, a statement of cash flows is required and cash receipts and payments are classified by investing, financing and operating activities.

Employee Pension Costs and Other Post-employment Benefits

Under Accounting Practices Adopted in Brazil, employee pension costs and other benefits were expensed as they fall due until the issuance of the IBRACON statement (NPC 26). As from the fiscal

years beginning in or after December 31, 2002, with prior application encouraged, NPC 26 approved by the CVM should be applied by sponsors of plans that are public companies to account for employee benefits including pension costs and other post-employment benefits. Under the new standard an actuarial method is used for determining defined benefit pension costs and other post-employment benefits and provides for the deferral of actuarial gains and losses (in excess of a specific corridor). Defined contribution pension plans and other post employment benefits require the recognition as an expense of contributions when they fall due. If the new standard was implemented up to December 31, 2001 the impact on adoption may be recognized against retained earnings; if the standard is implemented after December 31, 2001 such impact should be recognized in net income over five years or over the estimated remaining life if it is shorter. Specific disclosures are required in financial statements for the year ended December 31, 2001 including the funded/unfunded status of the plan.

Under U.S. GAAP employee pension costs are recognized in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 88, "Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits".

SFAS No. 87 requires the use of an actuarial method for determining defined benefit pension costs and provides for the deferral of actuarial gains and losses (in excess of a specific corridor) that result from changes in assumptions or actual experience differing from that assumed. SFAS No. 87 also provides for the prospective amortization of costs related to changes in the benefit plan, as well as the obligation resulting from transition and requires disclosure of the components of periodic pension costs and the funded status of pension plans. SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits", which became effective for all entities for fiscal years beginning after December 15, 1997 modified the disclosure requirements under SFAS No. 87. SFAS No. 132 was amended in December 2003 to provide for additional disclosures for entities with fiscal years ending after December 15, 2003.

Under U.S. GAAP, SFAS No. 106, "Employers' Accounting for Post-retirement Benefits other than Pensions", applies to all post-retirement benefits related to life insurance provided outside a pension plan or to other post-retirement benefits, including health care and welfare benefits, expected to be provided by an employer to current and former employees. SFAS No. 106 is similar to SFAS No. 87 in that the cost of a post-retirement benefits plan should be recognized over the employees' service periods and that actuarial assumptions are used to project the cost of health care benefits and the present value thereof. Under SFAS No. 106 a company is required to describe the plan, employee groups covered, type of benefits provided, funding policy, periodic plan costs, types of assets held, and any matter affecting comparability, among other disclosures.

Under IFRS employee pension costs are recognized in accordance with IAS 19 "Employee Benefits".

The Standard (IAS 19) identifies four categories of employee benefits:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

When an employee has rendered service to an entity during an accounting period, the entity shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(i) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(ii) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

When an employee has rendered service to an entity during a period, the entity shall recognize the contribution payable to a defined contribution plan in exchange for that service:

(i) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the balance sheet date, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(ii) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are payable twelve months or more after the end of the period, profit-sharing, bonuses and deferred compensation; The amount to be recognized as a liability for other long-term employee benefits shall be the net of the present value of the defined benefit obligation minus the fair value of the plan assets out of which the obligation are to be settled directly.

(d) termination benefits are recognized when as a liability and as an expense when, and only when, the entity demonstrates to be committed to (i) terminate the employment of an employee or group before the normal retirement and (ii) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Treasury Stocks

Under Accounting Practices Adopted in Brazil, the acquisition of treasury stock is accounted for by reducing capital by its nominal amount and both the excess or the shortfall compared to par is taken against reserves.

Under U.S. GAAP, both the cost method and par value method of accounting for treasury stock are acceptable. Under the cost method, each acquisition is accounted for at cost. Under the par value method, the treasury stock account is increased by only the par value of each share, with any excess being offset firstly against any additional paid capital that arose on the issue of the shares and any remaining excess being set-off against reserves. Any excess of par value over purchase price paid in is credited to paid in capital from treasury stock. When treasury stock is acquired with the intent of retiring the stock, the excess of the price paid for the stock over its par value may be allocated between paid in capital and retained earnings.

Under IFRS, when an entity's own shares are repurchased, the shares are shown as a deduction from shareholders' equity. Any profit or loss on the subsequent sale of the shares is shown as a change in equity.

Related Parties

Brazilian standards define related parties in a more limited manner and require fewer disclosures than U.S. GAAP and IFRS standards. As a result, many of the disclosures required under U.S. GAAP and IFRS are not required under Accounting Practices Adopted in Brazil.

Earnings Per Share

Under Accounting Practices Adopted in Brazil, disclosure of earnings per share is computed based on the number of shares outstanding at the end of the year.

Under U.S. GAAP, in accordance with SFAS No. 128, "Earnings per Share", the presentation of earnings per share includes earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note to the financial statements. A dual presentation is required: basic and diluted. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively. SFAS No. 128 also requires the use of the "two class" method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. It requires that earnings per share be shown separately on the face of the income statement for classes of shares with different participation rights.

On March 31, 2004, the EITF released EITF Issue 03-6, "Participating Securities and the Two-Class Method" under SFAS 128. Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the company's common shares. This Issue clarifies what is meant by the term "participating security", as used in SFAS 128. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument's effect on earnings per share. This Issue also covers other instruments whose terms include a participation feature and addresses the allocation of losses. If undistributed earnings must be allocated to participating securities under the two-class method, losses should also be allocated. However, EITF 03-6 limits this allocation only to situations when the security has (1) the right to participate in the earnings of the company, and (2) an objectively determinable contractual obligation to share in net losses of the company.

Under IFRS, in accordance with IAS 33 "Earnings per Share (EPS)", the presentation of earnings per share must be disclosed on the face of the income statement of enterprises with publicly traded ordinary shares (as defined) or potential ordinary shares (as defined), or those in the process of issuing such instruments. The EPS data given is basic EPS and diluted EPS for each class of ordinary share. EPS based on alternative measures of earnings also may be given if required. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively.

Dividends and Interest Attributable to Shareholders' Equity

Subject to certain limitations, Accounting Practices Adopted in Brazil permits companies to distribute or capitalize an amount of interest on stockholders' equity based on the TJLP. Such amounts are deductible for tax purposes and are presented as a direct reduction of stockholders' equity.

Under U.S. GAAP and IFRS, since proposed dividends may be ratified or modified at the annual Shareholders' Meeting, such dividends would not be considered as declared at the balance sheet date and would therefore not be accrued. However, interim dividends paid or interest credited to shareholders as capital remuneration under Brazilian legislation would be considered as declared for the purposes of both U.S. GAAP and IFRS.

Segment Information

Under Accounting Practices Adopted in Brazil, there is no requirement for financial reporting of operating segments.

Under the U.S. GAAP, publicly held companies should report both financial and descriptive information about their reportable operating segments. Operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision maker. Broadly, segment information is given about any operating segment that accounts for 10% or more of all segment revenue, results of operating activities, or total assets. Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed include segment profit or loss, certain specific revenue and expense items and segment assets as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

IFRS requires public entities to report primary and secondary segments, business and geographic regions, based on risks and returns and internal reporting structure. The information must be prepared according to group accounting polices.

All entities with listed equity or debt securities or that are in the process of obtaining a listing are required to disclose segment information. A two-tier approach to segment reporting is required, and an entity should determine its primary and secondary segment reporting formats (i.e., business or geographical, but not a mixture) based on the dominant source of the entity's business risks and returns.

Reportable segments are determined by identifying separate profiles of risks and returns and then using a threshold test. The majority of the segment revenue must account for 10% or more of either total revenue, total profit or loss, or total assets. Additional segments must be reported (even if they do not meet the threshold test) until at least 75% of consolidated revenue is included in reportable segments.

The disclosures concentrate mainly on the segments in the primary reporting format, with only limited information being presented on the secondary segment. Disclosures for reportable segments in the primary reporting format include, by segment: revenue, result, assets, liabilities, capital expenditure, depreciation and amortization, the total amount of significant non-cash expenses and impairment losses. Disclosures for reportable segments in the secondary segment include segment revenue, assets and capital expenditure. Segment result is not required to be shown for secondary segments.

Reconciliation should be provided between the information disclosed for reportable segments and the totals shown in the financial statements.

Cash and Cash Equivalent

Under Accounting Practices Adopted in Brazil, cash equivalents are not defined or presented in the same context of IFRS and U.S. GAAP. Cash equivalents in Brazil are usually readily available funds which involves cash and overnight applications.

Under US GAAP and IFRS, cash equivalents are defined as short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Generally, only investments with original maturities of three months or less qualify under that definition held for the purposes of meeting short-term cash commitments rather than for investment or other purposes.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN AUDITING STANDARDS IN BRAZIL AND INTERNATIONAL AUDITING STANDARDS

As required by the CVM and the Central Bank, our financial statements were audited in accordance with auditing standards generally accepted in Brazil (**"BR GAAS"**). BR GAAS, although less developed in certain aspects, are broadly comparable to International Standard on Auditing (**"ISA"**). The local standard in Brazil is established by the Federal Accounting Council (**"CFC"**) through Technical Brazilian Accounting Standards No. 11 (**"NBCT 11"**). In addition, there are certain additional requirements issued by the CVM, Central Bank and SUSEP, relating principally to rules on independence and the mandatory rotation applicable to audit firms in Brazil. These requirements must be followed by any auditor who audits in accordance with BR GAAS.

The summary below of certain significant differences between auditing standards in Brazil and International Auditing Standards is qualified in its entirety by reference to the respective pronouncements of the Brazilian and international accounting professions. Potential investors should consult their own professional advisors for an understanding of the differences between auditing standards in Brazil and International Auditing Standards and how those standards might affect the financial information contained in this Base Prospectus. In general terms, the standards established by BR GAAS are more generic than those established in ISA but remain broadly comparable overall. We set out below a summary of certain differences where the relevant principles of BR GAAS are less developed than the comparable principles in ISA:

- *Fraud and error.* While BR GAAS does address the issue of detecting fraud or error and communicating to management, ISA provides more elaborate guidance on the methodology that the auditor should consider from the outset of the audit process (factors that could lead to irregularities or errors in the financial statements). In general, these items are included in the BR GAAS. However, BR GAAS is currently being adapted in order to converge with ISA. In addition, ISA appears more up-to-date with respect to recent developments in corporate governance practices, and more clearly reflects the important role played by audit committees and other bodies charged with governance of corporate entities. Although BR GAAS does not specifically include these details, the relevant issues are communicated to the board of directors (in respect of companies listed with the CVM), the Central Bank, in the case of financial institutions and, where applicable, audit committees.

- *Knowledge of the business.* Although the issue of knowledge of a company's business is dealt with in several audit standards and procedures under BR GAAS, ISA is more specific in addressing the auditor's knowledge of a company's business.

- *Audit evidence.* BR GAAS specifically address the issue of audit evidence, principally through NBCT 11, which defines the fundamental underlying assertions attached to the financial information and the methods through which audit evidence should be obtained. To a lesser extent, technical interpretations of NBCT 11 also contain this information. However, the guidance provided in ISA (specifically, ISA 500) is more extensive with respect to the quantity and quality of audit evidence to be obtained.

- *Division of responsibility with an expert.* Under BR GAAS, the auditor is able to share responsibility with an expert in certain conditions (mainly regarding issues of independence). The standard under BR GAAS also establishes that this expert must be legally qualified. With effect from January 1, 2007, Resolution No. 1,042 issued by the CFC establishes that an auditor may not share responsibility with an expert except in the case of a qualified opinion. In contrast, under ISA, an auditor should not reflect, in his opinion, the work carried out by an expert (except in the cases

of a qualified opinion). In addition, the applicable standard under BR GAAS does not specifically address quality evaluation of the expert's work in the same manner as is addressed under ISA.

CERTAIN DEFINED TERMS

For definitions of certain capitalised terms, see Parts A and B of this Base Prospectus.

In addition, the following defined terms are used throughout this Base Prospectus:

BNDES:	Banco Nacional de Desenvolvimento Econômico e Social (Brazilian federal government development bank)
CDB:	Certificados de Depósito Bancário (a certificate of deposit sold to retail and non-financial institutions)
CDI:	Certificados de Depósito Interbancário (a certificate of deposit sold to financial institutions in the interbank market)
CEF:	Caixa Econômica Federal (Brazilian federal savings bank)
Central Bank:	Banco Central do Brasil (Central Bank of Brazil)
CMN:	Conselho Monetário Nacional (Brazilian National Monetary Council)
COFINS:	Contribuição Social para o Financiamento da Seguridade (a social security tax)
CPMF:	Contribuição Provisória Sobre a Movimentação ou Transferência de Natureza Financeira (the financial operations provisional contribution tax)
CVM:	Comissão de Valores Mobiliários (Brazilian Securities and Exchange Commission)
EITF:	Emerging Issues Task Force
FINAME:	Agência Especial de Financiamento Industrial (a subsidiary of BNDES, which specialises in machinery and equipment financing)
IFRS:	the International Financial Reporting Standards promulgated by the International Accounting Standards Board
IGP-DI:	Índice Geral de Preços — Disponibilidade Interna (an independent inflation index published by Fundação Getúlio Vargas)
IGPM:	Índice Geral de Preços do Mercado Financeiro da Fundação Getúlio Vargas (a private general consumer price index for the financial markets)
INPC:	Índice Nacional de Preços ao Consumidor (the national consumer price index)
INSS:	Instituto Nacional de Seguridade Social (the Brazilian public pensions system)
IOF:	Imposto sobre operações financeiras (a tax on foreign exchange, securities, credit and insurance transactions)
PIS:	Programa de Integração Social (a tax levied on gross revenues of private companies)
PROER:	Programa de Estímulo à Reestructuração e ao Fortalecimento do Sistema Financeiro Nacional (the incentive programme for the restructuring and strengthening of the national financial system)
SUSEP:	Private Insurance Superintendency (a governmental entity which oversees the Brazilian insurance system)
TJLP:	The Brazilian Government's long-term interest rate, as determined by the Central Bank from time to time
TR:	Taxa Referencial de Juros (an index determined by the Central Bank by reference to interest rates paid on CDBs issued by major Brazilian banks)

The roles of the Central Bank, BNDES, CMN and CVM are described under "The Brazilian Financial System".

REGISTERED OFFICE OF THE BANK

Banco ABN AMRO Real S.A.
Avenida Paulista 1374
São Paulo - SP
Brazil

REGISTERED OFFICE OF ABN AMRO LEASING

ABN AMRO Arrendamento Mercantil S.A.
Calçada das Violetas, 208 - 1º andar (parte)
Alphaville
Barueri – SP
Brazil

ABN AMRO CAYMAN

Banco ABN AMRO Real S.A., Grand Cayman Branch
P.O. Box 302124SMB
Third Floor, Strathvale House
90 North Church Street
George Town
Grand Cayman
Cayman Islands

TRUSTEE

J.P. Morgan Trustee and Depositary Company Limited
Trinity Tower
9 Thomas More Street
London E1W 1YT
England

ISSUE AGENT AND PAYING AGENT

JPMorgan Chase Bank, N.A., London Branch
Trinity Tower
9 Thomas More Street
London E1W 1YT
England

REGISTRAR

JPMorgan Chase Bank, N.A., New York Office
4 New York Plaza
15 Floor
New York, NY 10004
United States of America

PRINCIPAL PAYING AGENT

J.P. Morgan Trust Bank Limited
Tokyo Building 7-3 Marunouchi 2-Chome-ku
Tokyo 100-6432
Japan

PAYING AGENT

ABN AMRO Bank N.V.
Kemelstede 2
4817 ST Breda
The Netherlands

LISTING AGENT

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

AUDITORS

To the Bank, ABN AMRO Cayman and ABN AMRO Leasing
Ernst & Young Auditores Independentes S.S.
Av. Pres. Juscelino Kubitschek, 1830 – 5º-8º andar
São Paulo – SP
Brazil

LEGAL ADVISERS

To the Dealers
As to English Law

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
United States of America

To the Dealers
As to Brazilian Law

Tozzini, Freire, Teixeira e Silva Advogados
Rua Borges Lagoa, 1328
04038-904-São Paulo – SP
Brazil

To the Dealers
As to Cayman Islands Law

Maples and Calder
P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands

To the Issuers

General Counsel to the Issuers
Avenida Paulista, 1374
São Paulo – SP
Brazil

To the Trustee
As to English Law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
England